

# Dateline

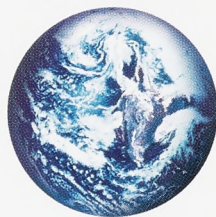
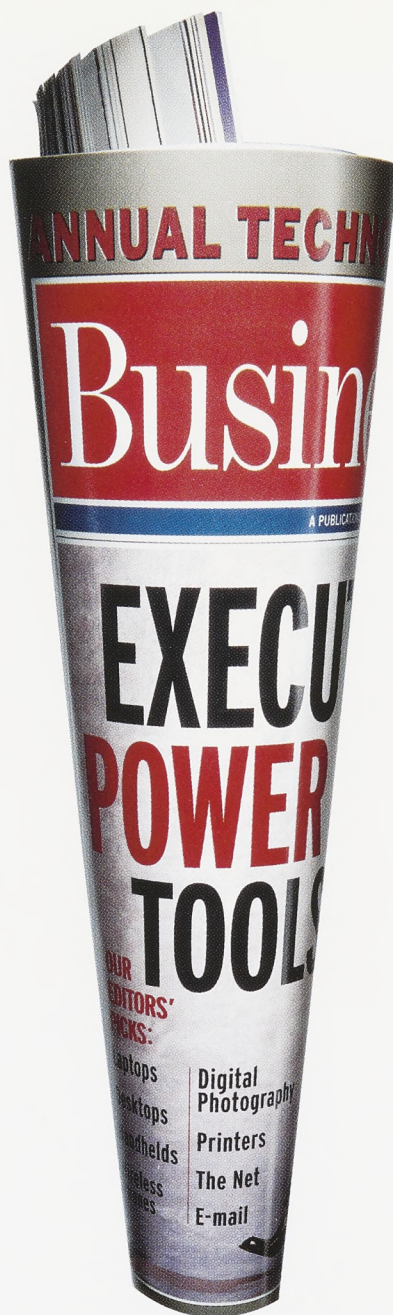
A traditional Chinese junk boat with two people on the water at sunset. The boat is in the foreground, with a large, light-colored sail. Two people are visible on the boat: one in the foreground wearing a red shirt, and another further back wearing a hat. The background shows a calm sea and distant, hazy mountains under a warm, golden sky.

1998  
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NEW  
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# Dateline

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**THIS PAGE:** Temples in Thailand



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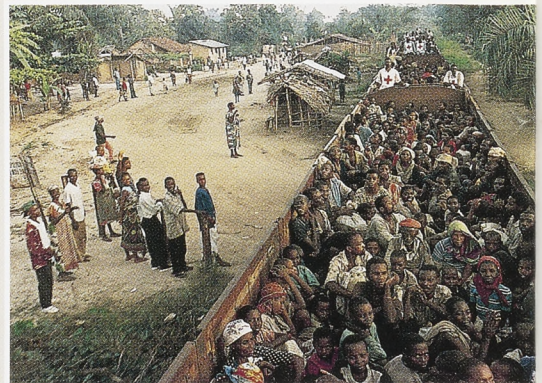
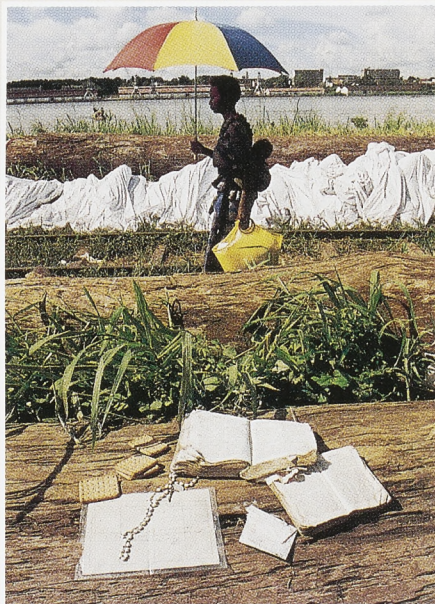
### WINNER OF THE OVERSEAS PRESS CLUB JOHN FABER AWARD

for best photographic reporting by a newspaper or wire service.



A Hutu refugee carries a malnourished family member through the Biaro refugee camp south of Kisangani, May 3, 1997.

An impromptu shrine sits nearby the body bags of 91 refugees near the Zaire River in Kisangani, Zaire, May 5, 1997.



Zairian villagers watch as Hutu refugees are evacuated by train from the Biaro refugee camp south of Kisangani, May 6, 1997.

Congratulations to AP photographer Santiago Lyon for his portfolio, "Unrest in Albania," which received an Overseas Press Club citation.



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# Letter from the President

I am pleased to report that the Overseas Press Club of America is in increasingly sound shape despite the media's overall retreat from systematic, sustained coverage of international news. It is perhaps ironic that we prosper at a time when the profession of covering the world is suffering. The reason: The OPC gains in stature as it defends and promotes the profession in a time of cutbacks.

At this year's dinner, we honor another enduring symbol of commitment to covering the tough stories around the world—namely, *60 Minutes*—and the man behind the scenes, executive producer Don Hewitt. This program has proved to be the hardest-hitting, longest-lasting broadcast institution in American journalism. For that, I am granting Don and his colleagues my President's Award for Lifetime Achievement.

On other fronts, our Awards Program, chaired by *Time* magazine's Michael Serrill, continues to gain not only in number of applications but also in prestige and recognition. In an era when some foreign news budgets are at risk, an OPC award can ratify the efforts of correspondents and their editors and producers.

Our membership also is growing. Our reciprocal relations (page 7), with their links to clubs and hotels around the world, have proved to be an important asset. Our monthly *OPC Bulletin*, edited by a team at *Forbes*, is must reading for those with an interest in the international media.

*The OPC  
is standing  
tall in a  
troubled  
environment  
for journalists*



A special thanks to Al Kaff, who writes the well-read "People" section.

The club's programs, many conducted in cooperation with the Freedom Forum's Media Studies Center in New York and Newseum/N.Y., continue to attract lively audiences.

The OPC Foundation's scholarship program, meanwhile, has become increasingly important in encouraging college students to pursue their dreams of becoming foreign correspondents. Our Freedom of Press Committee aids journalists who are harassed and pressured abroad. Supporting all these activities is OPC Manager Sonya Fry, who keeps the wheels greased and running in style.

In short, the OPC has consolidated its position as the world's preeminent journalistic grouping for those who have global vision and commitment.

Not least of our achievements is this magazine. Few subjects are more important than the future of Asia, and we are proud to have that as this year's theme.

Over the years, *Dateline* has helped the club establish its reputation for the finest professionalism. I'd like to thank my

predecessor, Bill Holstein, and the team who put it together, as well as the distinguished writers and photographers who contributed their work.

*John Corporon*

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Partly because of its OPC connection, the Hotel Scribe has emerged as an increasingly important destination for visiting dignitaries. Here, U.S. Ambassador to France Felix Rohatyn introduces Secretary of State Madeline Albright to Gerard Toupet, general manager of the Hotel Scribe, as room division manager Jean-Philippe Bittencourt looks on. (Hotel details on page 8.)

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(314) 621-9232 - fax

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(continued next page)



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(London Press Club continued)

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44 171 925 0469 - fax  
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### GERMANY

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80331 Munchen  
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4989 2602 4850 - fax

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### JAPAN

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822 734 7712 - fax  
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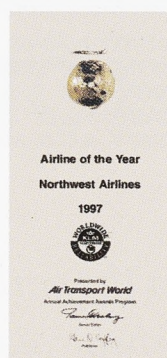




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Recollections by Frank Gibney

# Japan's Journey From Defeat



**DEMONSTRATORS  
IN TOKYO IN 1960  
AGAINST THE  
U.S.-JAPAN  
SECURITY ALLIANCE**

To be a correspondent in Japan sounded like a nice, easy job. So it seemed from my privileged perspective. An Admiral's Aide, I was also the Public Information Officer for Commander U. S. Naval Activities-Japan. But now I was welcomed into the Tokyo Correspondents' Club in the early days of 1946. Stimulating conversations, lots of booze, confidences readily exchanged, and writable stories a dime a dozen. Those prospects seemed far more attractive than getting a job at an ad agency back in New York. So after a year's worth of slave's work at United Press International and at a *Time* magazine apprenticeship in their London and Paris bureaus, I became the Tokyo bureau chief for *Time* in the spring of 1949.

Having spent most of my war interrogating Japanese POWs at Pearl Harbor, Okinawa, and other island stops, I possessed a crude fluency in Japanese. There were good stories everywhere. Behind the obvious political posturings of the MacArthur Occupation and Prime Minister Shigeru Yoshida, we saw the everyday drama of the Japanese trying to rebuild their lives after the totality of defeat. It all made great copy—the general who started a pedicab company, the pre-war jazz band leader writing *Tokyo Boogie-Woogie*, the returned POWs preaching a new democracy, the revived Tokyo Giants playing at Korakuen stadium, the squads of reporters from Asahi Shimbun newspaper trying to keep the Occupation's press czars off their backs, and our not-so-furtive visits to Japanese hostess bars in defiance of the Occupation's non-fraternization directives.

The big problem was getting the New York ed-

itors to run the stories. For them, London and Paris remained the big news. Tokyo? A way station. For us, however, life in the way station was rich and varied. Without exploring overmuch the far-reaching implications of its activities, the Occupation set out to "democratize" Japan in what became one of the great political and cultural face-lifting jobs in history. There was a certain nobility to this—the best of American Enlightenment optimism in action. Some of their efforts were superficial, like renaming Tokyo's streets and dressing Japanese judges in black judicial

robes, but others stuck. The made-in-America Constitution of 1946, with its sweeping guarantees of freedoms, was worked up hastily by the Government Section of the Supreme Commander of the Allied Powers (SCAP), which was the office of General Douglas MacArthur. But it has yet to be revised.

The initial focus of the new constitution was to attack the old political power bases that had led the nation to war. Women received suffrage and Japan's crushed labor movement was spectacularly revived. Then there was land reform. In a move that foreshadowed similar efforts elsewhere in Asia, the Occupation gave Japan's poverty-stricken tenant farmers the chance to own their own land. This occurred a decade before Mao Zedong's Great Leap Forward.

We had to report all these great events within the context of an Occupation that cast its shadow everywhere and, paradoxically enough in view of its avowed dedication to freedom of expression for the Japanese, did its best to suppress adverse press comment, whether Japanese (censored) or American (strongly advised against). Although I was the *Time* magazine bureau chief, I was never granted an interview with Douglas MacArthur. This, I learned from the well-traveled SCAP grapevine, was in retaliation for a *Fortune* magazine story attacking SCAP's economic policies. When Henry Luce or the *Time* foreign news editor visited Tokyo, however, the red carpet was extended. Dugout Doug, as the Marines used to call him, was that kind of a guy.

In 1948, after a visit to Japan, the influential foreign policy analyst George Kennan reported to

*In the early  
postwar years,  
the emphasis  
was on  
democratizing  
Japan. But the  
groundwork for  
economic  
resurgence was  
also being  
laid*



~~JOURNALISTS AROUND THE~~  
~~WORLD CANNOT REST~~  
~~UNTIL~~ CENSORSHIP  
~~IN ALL ITS FORMS~~  
NO LONGER EXISTS.

Journalists around the world cannot report the news freely until censorship, in all its forms, no longer exists. It is in this spirit that The McGraw-Hill Companies salutes the Overseas Press Club and its members for their tireless efforts to report the truth.



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Washington that the Occupation reforms were "paving the way for a Communist takeover." Washington, now in the throes of the Cold War, began to backpedal on "democratization." Instead the emphasis shifted to restoring Japanese industry. It is fashionable for academics to note that the "reverse course" began in earnest the next year. On the ground in Tokyo, however, we journalists continued to record the struggles of the democratizers. We thought they were winning. So did most of the Japanese. It took a few more years before the push to create a new "economic" Japan replaced the efforts to reform Japan's political structure.

The big event that accelerated that shift, of course, was the Korean War, which burst upon us with no warning in 1950. That June I had already sent my racket and sports gear up to the summer resort of Karuizawa, where I fondly hoped that my partner—then No. 6 in the Japanese women's ranking—would carry me through at least the early rounds of the mixed doubles tournament. Instead I found myself flying into Seoul barely three days after the North Korean invasion.

With this, all our efforts to report on Japan's transformation had to stop. We were all suddenly war correspondents. Faithful to the demands of editors and, presumably, readers, we turned to the new Big Story. The demand for news was insatiable. I recall the case of the correspondent from *Le Figaro*, who went to the volatile Korean front, filing a vast amount of war reportage over a sleepless 36-hour period, only to receive a laconic comment after two days' respite, "*Pourquoi le silence?*"

Suddenly, the recent enemy country of Japan became the "Zone of the Interior"—the base of the war effort. I realized this poignantly at the Inchon landing, when the ship carrying artillery to for the Marine battalion I was accompanying was manned by an ex-Imperial Navy Japanese crew. This was a foretaste of Japan's unspoken Cold War commitment.

In 1951, I journeyed to San Francisco to interview Prime Minister Yoshida, there to sign the Peace Treaty, which ended the Occupation. With his pince-nez and wing collars, Yoshida looked like a man from almost another century. Like West Germany's Konrad Adenauer, he had come out of the past to rescue his country. A Meiji-era liberal with a fondness for Churchillian cigars, he had been Japan's ambassador to the Court of St. James and he never got over it.

Yoshida tried to put the brake on Occupation reforms, with some success. With Washington, he

*We saw the  
everyday  
drama of the  
Japanese trying  
to rebuild their  
lives after the  
totality of  
defeat*



**FRATERNIZING:  
U.S. SERVICEMEN  
AT A DIME-A-  
DANCE AT THE  
OASIS HOTEL  
IN TOKYO**

made the Faustian bargain—domestic political and economic freedom in return for an American security alliance. While he negotiated, the factories back home were starting up to sustain the war effort in Korea and in the process lay the foundation for the later economic miracle. *Life* photographers discovered that Japanese cameras were the best they had ever seen—this from the widely reputed home of shoddy products!

Throughout the '50s, however, a Japanese political struggle continued. Now reporting it from New York, I could see mostly a bitter Left vs. Right struggle, as pro-Soviet Socialists and Communists tried to save some Occupation democratic reforms, while denouncing the pro-American government. For me, the fascination was cultural—trying to puzzle out what made this extraordinary "web society," with all its contradictions, tick.

After stints at *Newsweek* and later *Life*, I visited Japan again in 1963 as the publisher of *Show* magazine. I found a different country. Sony and Toyota and Mitsubishi were coming to the surface. The Shinkansen bullet trains were running. The Olympics building boom was on. My old friend Hayato Ikeda, Prime Minister since 1961, had done the job. With the magic slogan of "Double your Income," he quieted the ideological tumult and put his industrious countrymen to work. Politics was swept under the rug, along with war guilt and other embarrassing problems. In a cover story, I tried to dispell the persistent American notion that the Japanese were a collective piece of quaint exotica. They

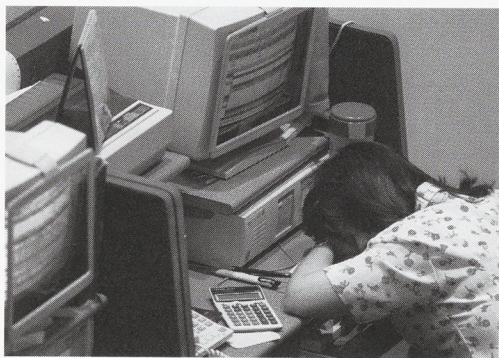
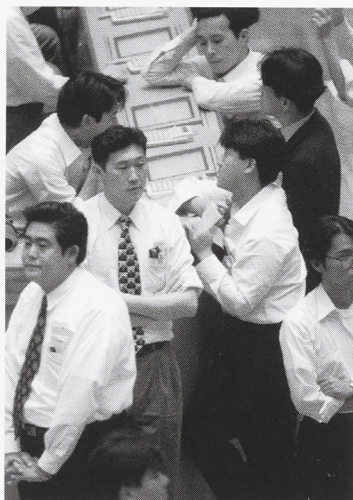
were modern. They were competitive. The businessmen at the American Chamber of Commerce knew this. Ten years later, the boys in Detroit were still trying to figure it out.

In the end I returned to Japan, to help translate the Encyclopaedia Britannica into Japanese. Over the next 10 years, I kept trying to explain this exasperating society. Economically speaking, the contradictions so long hidden under the hood of that smooth-running industrial machine are popping out. The world that Yoshida and Ikeda made seems lost in the financial scandals of the burst "bubble" of the late 1980s and the diddling of a grossly inept political leadership. But in my earliest days in Japan, no one would have dreamed that the Japanese would ever emerge as the world's second largest economy.

*Gibney is president of the Pacific Basin Institute at Pomona College in Claremont, Calif., and vice-chairman of TBS/Britannica in Tokyo. He is a former vice-president of the OPC.*



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Recollections by Anthony Lawrence

## A Turbulent Passage to Freedom

**V**iewed from the newsroom of the British Broadcasting Corp. in London more than 40 years ago, a correspondent's post in the British colony of Singapore was not expected to yield much in the way of news. The Far East seemed very far away in the mid-1950s; I'd be lucky, my colleagues said, if London would use even one dispatch a week.

A big shock was in store. No sooner had the new arrival settled in at that haunt of journalists and gossips, the old Cockpit Hotel, than widespread riots broke out. Westerners were attacked; their cars set on fire. British troops drove back the mobs and opened fire when pelted with rocks. Thirteen people died, and many more were hurt in the weeklong turmoil. Curfew emptied the streets, save for police and stray dogs. It was a turbulent period throughout Southeast Asia, and even today it's hard to believe that the seeds for economic prosperity were being laid.

There was no problem covering the news when I arrived—it was all happening just outside the door. The difficulty was getting in contact with London to deliver the bulletins. Phoning was hopeless. Voices sounded like grinding icebergs. London would book a specially strengthened call (known as a music-line) twice a week, directed to a studio at Radio Singapore. But the quality wasn't good enough to rebroadcast. So nearly everything had to be cabled and read in the London studio, which radio organizations feel is rather beneath their dignity. Those were days of excitement, sweat and frustration.

What caused the 1956 riots? Racial antagonisms. The official word was that Chinese private-school students were being infected by Communist militants and, joined by mobs, were attacking police stations and other public buildings. That was part of it. Singapore people are mostly Chinese, with minorities of Malays and Indians. British colonial authorities wanted more English taught in schools, and Chinese parents were in favor, for they knew that English speakers could expect better jobs. But the children were sure they knew better. Wasn't Communist China fast becoming a world power, thanks to the great Mao Zedong? they demanded. Chinese, not the language of the colonialists, was alone worth studying. The high schoolers barricaded themselves in the schools at night and rioted by day. The riots stopped only when the authorities swooped down on left-wing trade unions and Communist offices, arresting a half-dozen ringleaders.



**LEE KUAN YEW  
FAVORED A  
MERGER OF  
SINGAPORE  
AND MALAYSIA**

*In Singapore,  
Lee took power  
with a party  
infiltrated by  
Communists*

On their list was 36-year-old Lee Kuan Yew, who was later to become Prime Minister. But at the moment, he was a legal adviser to the unions; he escaped the police net because he happened to be in Sarawak, in Borneo. Lee, a lawyer, had a brilliant academic career at Britain's Cambridge University, where he gained a double first in law plus a star for special distinction. Back in Singapore, he married the sweetheart of his student years, also a lawyer. He might have become just another wealthy lawyer, part of the colonial establishment. Instead he turned to a political horizon that shone brighter than any lawyer's dreams. All over Southeast Asia, colonial empires were fading. What was going to take their place?

As Lee saw it, a man who was clever, persuasive, and could be ruthless in handling enemies (and supporters), had the chance to win power in Singapore. Britain had already yielded independence to India and Pakistan. After two world wars, Britain simply lacked the strength to keep an empire going. France had been forced out of Indochina; the Netherlands had lost Indonesia, apart from West Irian. And Malaya, Singapore's neighbor linked by a causeway, was negotiating with London for self-government, due in a year's time.

In those days, few thought Singapore could stand alone, although both territories were on a timetable toward internal self-rule. But a merger of Singapore and Malaya would not be easy. Guerrillas (all Chinese) were holding out in the Malayan jungle. That was enough to make Malays suspicious of Singapore and its inhabitants.

In Kuala Lumpur, the capital of Malaya, I visited Tunjku Abdul Rahman, the jovial prince who ran the government. The Malays had the inside track, manning the police, and armed forces, and most government jobs. I said I supposed that with independence, he would be able to ease the anti-Chinese bias in his country. His smile vanished. Gripping my elbow, he marched me to the window, where we saw the capital spread below. He said: "Just name one building in all the city which is owned by Malays. Just one."

I explained I was a new arrival. "Well, let me tell you," he said. "There is just one—that building down there to the right. It belongs to the United Malays National Organisation (which later became the dominant political party). All the rest of Kuala Lumpur belongs to the Chinese. Let them be content with that."

Yet his was a moderate, statesman-like personality. He had adopted Chinese children and num-





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bered Chinese among his friends. Malayan politics were more relaxed than in Singapore. British troops still patrolled the Malayan jungle searching for terrorists. Rubber planters were killed in isolated incidents. But the end was in sight. By promising *merdeka* (freedom) to Malaya, the British had taken the wind out of Communist sails. For what was the point of jungle-fighting if freedom was coming anyway?

The actual moment of independence came at midnight on August 31, 1957, on the big sports ground at Kuala Lumpur's center, in front of the club reserved for Europeans. (The club was dubbed the Spotted Dog because of the black-and-white half timbering of the mock-Tudor architecture.) As the clock struck twelve, the lights were turned and people all over the sports ground shouted, "Merdeka! Merdeka!" while Europeans came down the club's verandah steps holding drinks. They were met by the crowds with a great deal of handshaking and toasting to the new nation. At the handover ceremony in the stadium next day, the Duke of Gloucester wished Malaya success on behalf of the Queen of England. That night, stars of magnificent fireworks burst above Kuala Lumpur.

Lee Kuan Yew's path toward triumph down in Singapore would start in earnest two years later. By spring of 1959, elections were looming that would bring him to power. Campaigning was fierce and unrestrained. Left-wing students combed the streets drumming up support for the candidates of Lee's People's Action Party (PAP). Anti-colonial attitudes sharpened, with extremists calling for action "to drive out the white man."

But election day itself, May 30, 1959, was quiet. Voting was compulsory, and from 8 a.m. orderly queues formed at the polling stations. The results showed a landslide: Lee's PAP won 43 seats out of 51. Singapore had its first fully elected government, with a strong working majority. But Lee refused to take power until eight pro-Communist PAP detainees, arrested in the '56 riots, had been released. He had bought Communist support by vowing to get them freed. Lee said PAP had to stand by its members. None of the men would actually be in the government.

Although Lee today is known as a paragon of conservatism, he took power with Communist support and a party infiltrated by Communists. They soon began making trouble, especially in the trade unions. As Lee himself said, he had ridden to power on the back of a tiger, and it wasn't going to be easy to dismount.

In the midst of this, Tungku Abdul Rahman proposed a merger. He saw that Lee was preferable to a Communist Cuba-type situation to the south and that if he took over British territories in Borneo, the danger of being swamped by a Chi-



**BRITISH TROOPS  
PATROL MALAYA'S  
JUNGLES IN SEARCH  
OF COMMUNIST  
TERRORISTS**

*In Malaya, the  
British took the  
wind out of  
Communist  
sails by  
promising  
merdeka.*

*What good was  
fighting if  
freedom was  
in sight?*

nese majority could be avoided. Lee and PAP moderates favoured the plan; the party's left wing tried to wreck it. They formed the Socialist Front party and almost defeated Lee on a vote of confidence.

"Their cadres were so much more experienced and numerous than ours," Lee later said. "But we could not afford to be paralyzed by fear. So we gritted out teeth and rode the tiger until we exhausted and subdued him." He did that by going out night after night for months, speaking up to 30 times an evening to Singapore's different constituencies. "Those tours gathered momentum," Lee said. "I could feel the tide turning against the Communists."

But resistance to the concept of a merger soon came from another direction—President Sukarno of Indonesia. He felt that the Borneo territories should be part of his country, and he threatened a "confrontation." Indonesian troops infiltrated the Borneo territories. As a result, Singapore lost its trading ties with those parts and its ships were boarded by enemy gunboats.

In the end, the idea of a unified Malaya/Singapore died. Why? The answer lies in differences of race, traditions and personalities. So many in Malaya looked on Singapore as a place of riots, extreme politics and secret societies. They especially distrusted Lee: He was too brusque and clever. They feared that if he had his way, the ethnic Chinese would soon rule the roost. Inter-communal riots broke out, with everyone fearful of his neighbour. Voices in Kuala Lumpur called for Lee's arrest. Instead, the Tungku told Lee that Singapore would have to leave Malaysia. Such a break, he said, "was the only way of settling differences amicably." Lee wept when he announced the news on television. Singapore's independence was proclaimed on August 9, 1965.

Since then, the two nations have followed their separate ways. Peace—at times in an atmosphere of tension—has been preserved, apart from a terrible outbreak of intercommunal violence in 1969 that followed a Chinese election victory in Malaysia's Selangor State. A shocked Tungku Abdul Rahman resigned the premiership to the tougher Tungku Abdul Razak. The days of the dictatorial Mahathir Mohamad, who is Prime Minister today, still lay decades into the future.

In Singapore, Lee created an authoritarian government, tripled living standards, and achieved the memorable success story of Southeast Asia. The success the Singaporeans and Malaysians later enjoyed was undreamed of when I came out 40 years ago to report on *merdeka* and the ride on the tiger.

*Anthony Lawrence lives in Hong Kong, and is the author of The Foreign Correspondent.*



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Dateline

# ASIA After the Party

ASIAN STAR  
FEW SAW  
TROUBLE AS  
HONG KONG  
CELEBRATED



They called it the **ASIAN** miracle, but the real **MIRACLE**  
is that **THE BOOM** lasted as long as it did.  
Now the **QUESTION** is: Can the region find the will to  
undertake a sweeping **TRANSFORMATION** that will  
set the stage for **NEW GROWTH?**

BY PETE ENGARDIO







**HEADY DAYS** HONG KONG'S BRAND OF CAPITALISM CREATED VAST WEALTH DURING THE BOOM YEARS

### Dateline

**W**HEN I FIRST MET KIM WOO CHOONG in 1983, the chain-smoking, hyper-active chairman of South Korea's Daewoo Group was already something of a legend. I was working at the English-language *Korea Herald* and doing my first business story, on Daewoo. Kim had built Daewoo from a small trading company into a giant export powerhouse in everything from shirts to ships. Daewoo also carried a notoriously high debt. "Daewoo is like a bicycle," joked a Korean banker. "If it stops pedaling fast, it will fall over." Still, Kim laid out an ambitious strategy to make Daewoo a global player in cars, electronics, and overseas construction. It was a plan that Daewoo and other South Korean *chaebol* succeeded in carrying out, impressing the world in the process.

In March, 1997, I saw Kim again. I was then at *Business Week* and had just moved to New York after six years in Asia chronicling the spread of the "miracle." By this point, the strains of maintaining rapid growth were showing. Exports were slowing. A building boom that stretched from Java to Shanghai had led to a huge property glut. Banks had dangerous lev-

els of bad loans. Telephone, chemical, and steel companies were piling up big losses, and enormous overcapacity was building in everything from cars to computer chips.

Yet it was basically the same old Kim. A number of big *chaebol* had fallen, and Daewoo's debts were still astronomical. But Kim was undaunted, outlining plans to launch passenger cars in the U.S. market. Wasn't he afraid of global overcapacity in autos? An exaggeration of the media, Kim assured us. Was he afraid more Korean *chaebol* would collapse? Kim was taken aback—as if the question were ludicrous—and looked up, puzzled. "Why?" he asked.

To me, those two meetings with Kim framed the beginning and end of Asia's miracle years. That Asian business and government leaders were in denial for so long explains why the financial crisis is so deep, and why full recovery will take years. The shattering irony is that Asia's spectacular flameout commenced with the crash of the Thai baht on July 2, just a day after Hong Kong's celebration over the transfer of control to Beijing seemed to inaugurate the Pacific Century. The reasons why East Asia's economic boom was not sustainable are now obvious. Particularly in the three years before last summer's crash, much of the growth of countries such as Korea, Thailand, Malaysia, and Indonesia was the product of a tsunami of cheap money from local and foreign banks, mutual funds, and bond investors. Much of that capital was deployed in a reckless spending binge on unneeded office towers, factories, and public-works projects by businessmen who profited from their connec-





**GLOOMY NIGHTS** AUTHORITARIAN INDONESIA MAY HAVE THE TOUGHEST TIME CLIMBING OUT OF THE MORASS

tions to corrupt politicians. The real miracle is that, given the deep structural flaws, Asia's boom lasted as long as it did.

The stories now dominating the headlines are grim. They detail the intense human misery and political fallout caused by tens of millions of Asians losing their jobs—with no unemployment benefits or retraining programs to cushion the fall. There will be violent riots in Indonesia, labor strikes in South Korea, and protests in Thailand.

But amid the carnage, we can see the beginnings of a vast transformation. What promises to be a wave of mergers and acquisitions is under way, as rich multinationals and bottom-fishing carpetbaggers swoop in to buy up everything from chemical plants to banks and mobile-phone franchises from cash-strapped tycoons. The empires still standing, such as Daewoo's, are scaling back and scrambling to find partners for their businesses. A new pack of more competitive Asian companies will likely emerge from this consolidation. Important structural changes also are afoot. Under the International Monetary Fund recovery plans, South Korea and Thailand

are selling off bad banks, setting up modern regulatory systems, opening their economies to more foreign investment, and promising to change disclosure rules so that their corporations are much more transparent. The old culture of crony capitalism will never be the same.

A political shakeout also has begun. The crisis finally catapulted longtime democratic crusader Kim Dae Jung to power in South Korea, while in Thailand a reform-minded government led by the Democratic Party's Chuan Leekpai swept the old cabal of money politicians from office. To the surprise of many pundits who had hailed the advantages of Asian authoritarianism for development, the democratized Tigers seem to be tackling the reforms most earnestly and have the best

chance of recovery. It is Southeast Asia's most entrenched dictatorship—Indonesia—that keeps the bankers awake at night.

The challenges East Asia must face before Pacific Century talk resumes are quite real. One problem has been the failure to invest in human capital. The old advantage of abundant, cheap labor has been eroded as other low-cost production cen-

Already, **ECONOMIC** and **POLITICAL**  
**REFORMS** are taking hold.  
The old culture of **CRONY**  
**CAPITALISM** will never be the same.





## BOOM AND BUST THE PROPERTY GLUT BROUGHT ON BY OVERBUILDING IN SHANGHAI AND ELSEWHERE WILL BE A DRAG

ters blossom in Latin America, Eastern Europe, and South Asia. For Thailand and Indonesia, in particular, moving from assembly work into more sophisticated export industries such as high-tech electronics has been hampered by a paucity of engineers and technicians. In Thailand, for example, half of workers lack more than a sixth-grade education.

**C**an Asia make the transition? With the right leadership, absolutely. While many out-of-date government officials and businessmen have been locked in the cozy old order, I have met hundreds of younger, more sophisticated Asians who sense what needs to be done. They are the coming generation of managers in Seoul who possess Western MBAs, the cosmopolitan fortysomethings who persevered through the Cultural Revolution and are itching for their chance to bring China into the 21st century, and the brilliant Malaysian engineers who now work

in the design labs of Intel, Motorola, and Hewlett-Packard.

There also are the legions of Asians such as Dam Anh Dung. I met Dam in the summer of 1994 when, as I was riding a bicycle through the Vietnamese coastal city of Da Nang, he pulled up alongside me in a motor scooter. Then 32, Dam spoke decent English and volunteered to give me a tour. He showed me the small electronics shop where he repairs electric appliances. We then wended our way through the city's dusty side streets to Dam's home, a small structure of crumbling concrete crammed with broken black-and-white televisions, compact-disk players, and tape recorders. His aging father and mother were slumped on a sofa watching TV.

Dam had a hard life. His father, he said, was an officer in the South Vietnamese army. After the war, he was sent to a reeducation camp and hadn't been able to land a job since. As a youngster, Dam helped his mother peddle produce. Now he was helping support the family of four. After work, he fixed





G ON THE REGION'S ECONOMY FOR YEARS

appliances imported from Japan and resold them. Three nights a week, he took English classes at his own expense. His "text": a tattered stack of photocopied chapters from an American conversation book. "Can you find me a job with a foreign company?" he pleaded. I wished I could. My own father had worked incredible hours to raise a family of nine by repairing televisions.

As I left Dam's house that night and pedaled to my hotel, I noticed many English-language "institutes" above shops along Da Nang's streets, all with the lights burning brightly and students going in and out. I realized there were hundreds of thousands of Vietnamese with the same dream, all preparing for the day when foreign investment would pour in and lift them out of poverty. One day, their energy and ambition will overcome even the Communist Party bureaucracy in Hanoi.

## Dateline



NO CUSHION FOR MILLIONS OF WORKERS, FEW PROSPECTS IN SIGHT



BRAVE NEW WORLD CAN ASIA HARNESS ITS HIGH-TECH TALENT?

China also is beginning to realize it is making poor use of its mind-boggling wealth of technological talent. Wander through the dormitories of Shanghai's universities, and you'll encounter students such as Yang Kangrong crowded into tiny, damp rooms with peeling paint, broken windows, and steel bunk beds. A 22-year-old student at Jiaotong University when I met him in 1994, Yang already had breezed through advanced courses in quantum physics, management, computer theory, economics, and integrated-circuit design. He spoke flawless





**NEW GENERATION** A TURNAROUND DEPENDS ON YOUNG, EDUCATED MANAGERS



**SKY'S THE LIMIT** THE CRISIS OFFERS ASIA THE CHANCE TO REFOCUS

English and wrote software for local hospitals to make money. Yang wanted to start his own software company. But in Shanghai, where banks don't lend to private entrepreneurs and there is little protection of intellectual property, it's difficult to find uses for such talents. Two years later, Yang wrote me to say he was giving up high-tech and would seek a career in finance, where the money seemed easier.

The recent economic shocks could create opportunities for these younger Asians at the same time that Asia's doors open wider to foreign investment. Few cities in Southeast Asia have done a better job at this than Penang, Malaysia.

Its industrial zones are filled with state-of-the-art plants built by Western high-tech giants. Although the foreigners own 100% of the operations, they pour immense resources into education. Besides training thousands of engineers and technicians in-house, multinationals also finance the Penang Skills Development center, which offers advanced degrees in everything from software design to robotics. As a result, Penang has a rich pool of world-class engineers. It also has been one of the cities in Southeast Asia least affected by the region's crisis.

Officials in Thailand and China are learning from Penang and are getting multinationals to set up similar training centers. Governments also are aggressively courting top Western universities to set up local campuses so they can dramatically boost the number of managers with MBAs capable of competing in the global economy. And governments are starting to rethink their emphasis on big, showpiece industrial complexes and office towers.

Other key changes are at hand. Banking reforms could help small entrepreneurs get access to credit to start businesses. As companies are forced to modernize, more creative managers will get power to make decisions. Greater openness to foreign investment in services could generate new opportunities and help ease

Asia's obsession with manufacturing exports. Hopefully, as in the cases of Korea, the Philippines, Thailand, and Taiwan, a rising middle class will be more assertive in pressing for democracy now that the authoritarians have been exposed.

A lot must happen to get Asia rolling again. Some nations lack the dynamic leadership required for the transition. And for those that do bounce back, it will take much more than pumped-up statistics to impress the world this time. But of this much I'm certain: Out of the crisis, a new Asia will rise.

*Engardio is a senior news editor for Business Week in New York.*



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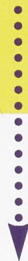
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*Chrysler Corporation salutes the Overseas Press Club of America  
and wishes its 1998 awards dinner overwhelming success.*





*There's a new political consciousness  
sweeping across Asia. And once  
Suharto exits the scene, even  
Indonesia will change its ways*

# 'We have to Be more

By John Colmey

**T**he greatest lessons are always found in the extreme. And nowhere are the roots of Asia's fall seen more clearly than in Indonesia today. Consider these images: In Jakarta, President Suharto's son, Tommy, arrives at the Borobradur Hotel in a purple Rolls Royce to tell the press he will push ahead with his grand scheme to build a national car even as

hospitals across the country begin to wash and reuse syringes. In central Java, gangs of unemployed men drive down the highway and stop in one village after another to pillage and burn Chinese shops. While the looters fight over the sacks of rice and batteries and Cokes, the army escorts the terrified proprietors to the temporary safety of the police station. At the Parliament, as 1,000 members of the People's Consultative Committee clap and nod at Suharto's reappointment to a seventh five-year term,

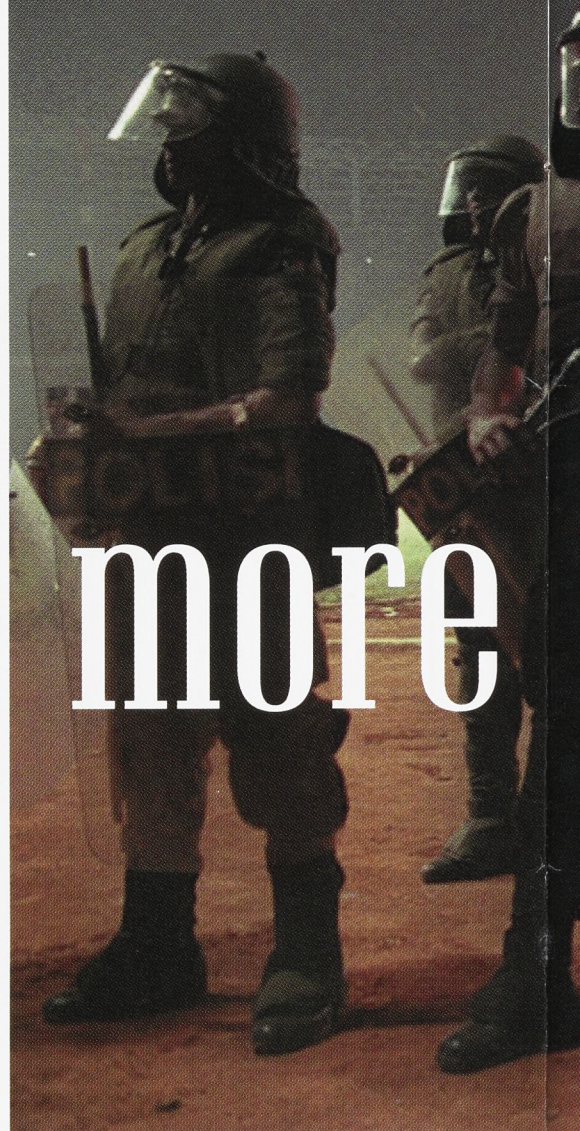
25,000 armed troops fan out across the capital with orders to shoot to kill anyone who dares interrupt the proceedings.

Such scenes have shaken anyone who believed in the Asian Miracle. How could a country that averaged 6% growth for three decades suddenly find its per capita income—which stood at \$1,090 before the rupiah's 70% plunge—falling to something on par with the Central African Republic? The answer, and the reason why Suharto cannot take the steps now needed to reverse the slide, is that the problem is political, not merely economic. The lesson of Asia's fall, most obvious in Indonesia, is that Asian nations can no longer compete and succeed by im-

**WHAT CRISIS?  
TOMMY SUHARTO  
ISN'T DITCHING HIS  
PLANS TO BUILD  
A NATIONAL CAR**



PHOTOGRAPH BY DYLAN MARTINEZ/REUTERS







# Democratic'

porting Western-style capitalism without the responsibilities that come with it—the rule of law, equal opportunity, and access to information. So far only democracy, as seen in the Philippines and more recently in South Korea and Thailand, appears able to deliver both. By contrast, the 76-year-old Suharto, the world's longest-serving leader after Cuba's Fidel Castro, has led the world's fourth-most-populous country into a political cul-de-sac.

It didn't have to be this way. After the aborted coup against President Sukarno in 1965 and the aftermath that saw some 500,000 people butchered across the country, Suharto's New Order Regime heralded an era of political stability married to a wise, responsive macroeconomic policy. In the 1970s, the government showered attention on farmers. Irrigation systems left behind by the Dutch were re-

built, and new rice varieties introduced. With increasing farm income and the wise use of oil and timber revenues, poverty plunged and industry boomed.

By 1990, Suharto was revered throughout the country as the "Father of Development," and Indonesia had become the World Bank model for the Third World. But while the World Bank was praising Indonesia, the seeds of trouble were being sown. First was the intrusion of the President's family and friends into every sector of the economy on the back of a host of special privileges ranging from cartels to tax breaks. The second problem was the deregulation of the stock market and the banking sector in 1988, in the absence of adequate regulations or supervisory bodies—a familiar story throughout

**RIOT GEAR: POLICE  
HAD ORDERS TO  
SHOOT TO KILL  
DURING SUHARTO'S  
SWEARING-IN**

Southeast Asia. After the change, anyone with as little as \$5 million could start a bank, and the number of such institutions skyrocketed from a handful to 240.

Following the example set by the first family and cronies who launched or bought into at least 12 banks, companies used the bank capital to fund their operations, property investments and just as often the CEO's swimming pool. These politically connected operators pressured banks to lend them funds often using marked-up collateral—a \$1 million piece of property was valued at 10 times that. In one case, a state bank approved a loan backed by a cemetery. Either way, says the director of a Chinese bank, "no one dared turn down the family or ask them to pay back their loans." The collusion



also reached deep into the Central Bank, says the banker. As late as last December, he says, financial managers were forced to pay each member of the Bank's auditing team as much as \$1,000 each for a clean bill of health.

In the early 1990s, the cronies moved on to foreign banks, which jumped at the chance to lend them money on the basis of overvalued stock, false balance sheets, and palace connections. Hong Kong's leading financial house, Peregrine Investments, collapsed in January, in part thanks

The 1997 parliamentary election was marred by an estimated 400 poll-related deaths, widespread riots, political arrests, and massive vote fraud, even by Indonesia's standards. Basking in the glory of the ruling Golkar Party "landslide," Suharto went a step further by asking the Parliament to give him the same extraordinary powers he used to crush the communists in 1966.

In March, after "reelecting" the President, they readily agreed. Although in recent times, the President has increasingly

further 60%, forcing the the Central Bank to step in to prop up the market.

Ironically, when the Asian financial crisis reached Indonesia last August, analysts widely predicted the country would easily ride it out, largely thanks to the stability of the New Order Regime. By contrast, they assumed that Thailand and Korea would be doomed by political change midway through the crisis. They couldn't have been more wrong.

In the absence of political will, Indonesia has been in a downward spiral ever since. Suharto backtracked on the first International Monetary Fund package, under pressure from his family, and is in the process of doing the same on the second bailout signed in January. A team of cronies is in charge of implementing the plan, while a former Finance Minister is in charge of renegotiating the country's \$74 billion in private debt. In February, Suharto suddenly announced he would establish a currency board that would peg the rupiah to the U.S. dollar at half the market rate, on the suggestion of his daughter and a little-known U.S. econo-

## *A growing number of Asian voices say their countries must graft Western-style mechanisms onto their decision-making structures*

to a failed \$265 million loan to a Jakarta taxicab company linked to the President's daughter. "First they robbed the state banks, then they robbed their own banks," says economist Kwik Kian Gie, who has written widely on corruption of the banking sector, "and then they robbed the foreign banks."

Today, corruption and collusion have crept into every segment of society, until almost everything involving the government carries an "up-front fee." A bribe to win a contract to build a power plant can run into the millions. A driver's license costs twice as much as the official charge. A criminal defendant must pay the policeman, the prosecutor, and the judge—and he still might not get off. To get a job on a construction site, you have to pay the foreman. The same goes for a civil service post. Not surprisingly, government institutions are breaking down one by one.

Sensing his loss of control and legitimacy, Suharto has become increasingly more desperate, says Mochtar Pabottingi, a noted Indonesia political scientist. But instead of giving in to the rising calls for political reform, Suharto has sought to return to the early days of the New Order, by removing any sign of political opposition. In 1996, he engineered the removal of the popular Megawati Sukarnoputri, Sukarno's eldest daughter, from the Indonesia Democratic Party, destroying the party in the process.



**NO TURNING BACK:  
HONG KONG RALLY  
FOR FREE SPEECH  
FOLLOWING CHINESE  
REUNIFICATION**

ruled by decree, Suharto now has absolute power. "The political system," says Mochtar, "is bankrupt."

Suharto's answer to political change was to install Re-

search & Technology Minister B.J. Habibie as his Vice-President and potential successor. The "Mad Genius," as Habibie is known, led a 20-year effort to build an aerospace industry, spent billions of dollars in state funds, and produced only one indigenous prop plane. The mere mention of his name in January as a Vice-Presidential candidate sent the rupiah down a

mist named Steve Hanke. The President changed his mind, or appeared to, after the IMF threatened to freeze disbursements under the \$43 billion loan package.

So far, nothing has been done. The country is in default, and more than 90% of the companies listed on the market are technically bankrupt. Capital flight is estimated at \$50 billion. Prices on everything from milk powder to aspirin to rice have increased dramatically. Factories have ground to a halt, and unemployment could top 20% of the workforce by summer. During a briefing to Parliament, the current Finance Minister, soon to be re-



placed, described the situation succinctly: "Chaos! Chaos!"

The absence of greater democracy isn't the sole reason for the current crisis. Foreign investors contributed by lending the countries involved more money than they could reasonably spend. In the absence of offshore funds, so the argument goes, Asia would have hit the skids two years ago. The problems could have been handled "the Asian way," as they were in the 1985-86 slowdown. Winners and losers would have been winnowed out behind closed doors—no press and no courts—and government spending would have been re-directed accordingly.

**W**hoever is to blame for today's woes, there are a growing number of Asian voices who say that their countries will need to graft more Western-style mechanisms onto their underlying Asian decision-making structures. "We can't play our own game anymore," says Jimmy Lai, Hong Kong's leading publisher. "We have to play by the world's rules if we want to survive."

Today, every nation that wants to play in the big game has to offer the same access to information, the same laws, and the same quality of referees. While democracy won't stop a country from digging its own economic grave, it is much more effective when it comes to digging out. Korea and Thailand have the political will to make the tough decisions now because both have new governments backed by the people. If they don't act fast, they will be thrown out. Investors will return first to the Philippines, which has enjoyed democracy since 1986, because they trust the information that is coming out and because President Fidel Ramos has already pushed through the reforms still awaiting his Asian neighbors.

In Indonesia, by contrast, the government is paralyzed by a lack of information, a defunct legal system, and a political regime where the only meaningful way to vote is to burn down the local Chinese grocery store. It will be a long time before investors return.

Is democracy in fundamental conflict with the Asia's underlying cultural values? In some ways, yes. But the good news is

that when Indonesia and Myanmar and China look around for models to follow, they won't have to hire a team of consultants from Harvard. In the past 12 years, there have been five constitutions—in the Philippines, Thailand, Taiwan, Hong Kong, and Cambodia—newly drafted or amended that aim at safeguarding civil rights, fighting corruption, and evolving popularly elected governments. The results are mixed, but the trend is set. "We have to be more open, more transparent, more democratic," says Anwar Ibrahim, a former dissident, Malaysia's Deputy Prime Minister, and likely its next leader. "It is not just what I say now. It is what my generation says now."

They are saying it in Jakarta, too, but Suharto is not listening. Nevertheless, Asia is experiencing a sea change. Political consciousness is rising as fast as economies are falling. And soon, after Suharto has gone, those two extremes will find a new equilibrium. When they do, the Pacific Century will have new, sturdier wings.

*Colmey is chief of Time's Hong Kong bureau.*

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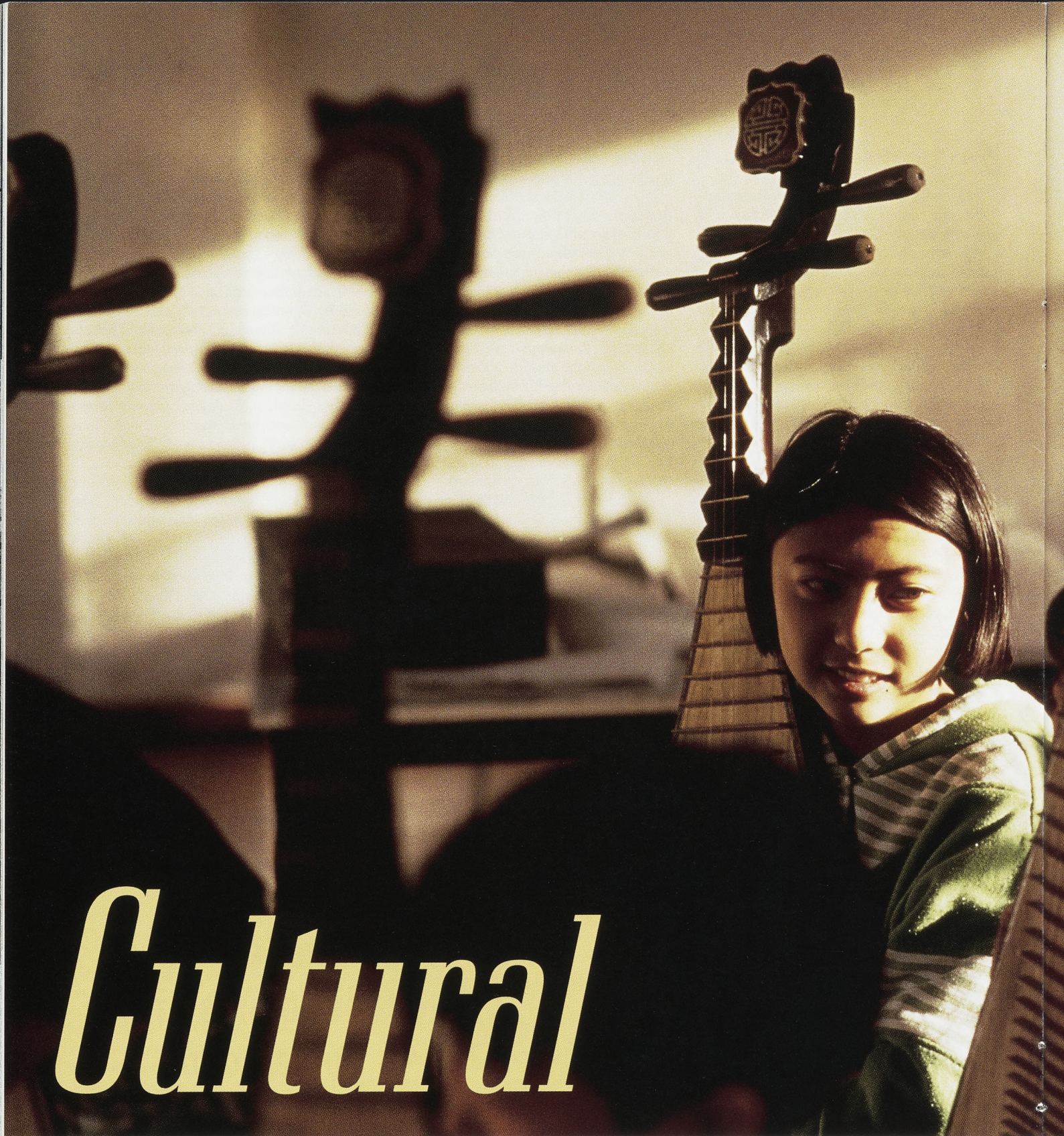
**FAMILY & CHILDREN**

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*Cultural*

DISCO



By Dorinda Elliott

The Korean banker, who earned his professional stripes in the U.S., is speaking eloquently on the need for financial reform. The buzzwords of the global economy pour forth in perfect English: transparency, accountability, corporate governance. Behind him, the bookshelves of his Seoul office are lined with the sacred texts of capitalism: Friedman, Samuelson, Keynes. This is a grim moment in South Korean history: After a decade of annual growth that averaged almost 10%, the country is teetering close to economic collapse. The International Monetary Fund has had to ride to the rescue, demanding dramatic reforms in exchange for a \$53 billion bailout package. The banker is part of Korea's leading reform team; he is committed, he says, to changing the way his fellow businessmen work.

Then I ask the hot-button question: Why did the financial crisis happen? The young banker suddenly, and chillingly, shifts gears. He begins to rattle on about a megaconspiracy bent on Asia's destruction. On the one side, he says, are the Western funds, which he deems "Jewish capital." On the other, locked in the battle for world domination, is overseas Chinese money, or what he calls the "Chinese connection." Most of his friends see the world this way, he says. "People think the West wants to bring the Asians down," he avers matter-of-factly. With an embarrassed smile, he backs off: "At the least," he says, "it's food for thought."

I'll say. What can explain such a stunning disconnect—on one hand a commit-

BEIJING STUDENT:  
ASIAN SCHOOLS  
ARE STILL RIGIDLY  
HIERARCHICAL, AND  
EDUCATION IS ROTE

*Asia looks modern,  
but its social  
institutions remain  
deeply traditional*





CHINESE TABLE:  
A NEW CONSUMER  
CULTURE IMPERILS  
THE TRADITIONAL  
ASIAN FAMILY

ment to modern, open markets, and on the other a belief in byzantine global conspiracies? The answer is simple, but potentially explosive: South Korea, like much of the rest of Asia, is just finding its legs in the modern world. The Tiger economies have acquired all the bells and whistles of modern economies: marble-and-chrome hotels, a bustling stock exchange, cellular phones, designer clothes, and cybercafes. But beneath the surface, these societies remain deeply traditional. Throughout the region, schools are still so hierarchical—and education is so rote—that students rarely learn to think critically. There is so much competition to get prestigious slots at universities that students often study until midnight at after-hours cram schools. Parents push high school students so hard to study that they often sleep only a few hours. Underinvestment in education is chronic.

Other social institutions are failing to keep up with modernizing economies, as well. Feudal family loyalties have distorted the Asian economic miracle—at the expense of civic society. In Indonesia, President Suharto has parceled out choice business concessions to his children. The resentment is festering, as students protest such nepotism. On the other hand, the traditional family is losing its grip on some of Asia's young. Lured by consumer culture, Hong Kong punks hang out at video

game parlors to escape the stifling, old-fashioned values of their parents.

Paternalistic unions similarly are losing their clout. In Korea, unions annually wangled hefty wage hikes out of their government. The result: South Korea has priced itself out of many potential export markets. Now, for the first time, there will be massive layoffs. It is all these social challenges that help explain why such fundamental concepts as competition, free markets, laws that work—all taken for granted in the West—are suspect in this part of the world. From the outside, it seems obvious that such reforms are needed to foster efficiency and help guarantee stability in tough times. On the inside, it's hard to imagine how to get there.

To understand the scope of the economic revolution, consider what Asia was like only 15 years ago. In South Korea, dictatorial governments still kept a tight grip on politics and determined which companies and industries would thrive. In Taiwan, the Kuomintang still ruled with an iron fist. There were strict controls on travel and foreign exchange. Dancing parties were illegal. Taipei had open sewers. China was still emerging, slowly, from the darkness and isolation of the Cultural Revolution. Nearly everyone still wore blue Mao suits. In inland cities, few people had even seen foreigners. Hong Kong

had a backwater of a stock market, one that was poorly regulated. Southeast Asia was just beginning the move up the ladder from raw materials exports to manufacturing. In Jakarta, the streets teemed with mopeds and *becaks*, or bicycle rickshaws. At night, the city was lit not by office towers and slick hotels but by the yellow glow of lightbulbs hanging above street-hawkers' stalls.

Democracy, in and of itself, hasn't been enough to resolve the deep-rooted problems created when rapid economic growth outstrips underlying social institutions. In Taiwan,

democracy has gradually blossomed. But there isn't a legal system in place to match the political liberalization. As a result, the system is still so corrupt that many Hong Kong businessmen, spoiled by a legal system created and nurtured by British colonial rule, won't go near the place. Taiwan's triad gangs are in cahoots with government officials. In business disputes, bosses are as likely to call in gangster friends as they are to resolve problems in court. In China, former peasants often do business deals over their cell phones. Impressive. But how do they get their licenses? Often by paying off the right official. In Thailand, regulators have been reluctant to rein in the myriad finance houses that supported their parties' political campaigns. And in Indonesia, connections remain notoriously more important than competitive business practices.

The critical dynamic in much of Asia is an unresolved clash between Confucian values and the demands of modern, globally connected economies. Confucian ideals, in which society is ruled by a system of hierarchical relationships and mutual obligations, under the guidance of an enlightened ruler, may have served traditional societies well. But the recent economic collapse has shown what happens when safeguards such as a competent legal system are sacrificed. As Asia has plunged into the complex, information-driven world, the tendency to hang onto rigid hierarchies and rely heavily on per-



**"The great East Asian miracle finally hit the wall."**

*—Bill Powell, Economics Correspondent*



**"He sits in first class...pasty and exhausted after more than 18 years inside China's gulag"**

*—Beijing Bureau Chief George Wehrfritz on Chinese dissident Wei Jingsheng*



**"For all who have known and loved Hong Kong, something has died."**

*—Jonathan Alter, Senior Editor*



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sonal relationships has led to massive corruption. The best that can be said about the recent crisis is that, with luck, it might bring some long-needed changes. "Under the IMF program, you can't deny the domineering force of the market over traditional norms and values," says Chung-In Moon, a political science professor at Seoul's Yonsei University. "Transparency, fairness will become more important."

**N**ew President Kim Dae Jung, the long-suffering democracy fighter, represents a dramatic break with the past. But free elections haven't wiped out the old social structures. Reliance on personal connections to get anything done is a notion so deeply entrenched that only now are citizens beginning to raise questions about the potential for conflict of interest and corruption. Few were shocked recently when a report surfaced that lawyers had

good at hiding dubious lending and shaky cross-guarantee practices. Cozy relationships between business and government allowed it all to happen.

The system runs all through society's food chain. For regular folk, too, connections are key to getting through the day. The way to get things done and cut through the cumbersome—and corrupt—bureaucracy is to seek favors from friends and personal contacts in the right position. In the old-fashioned hope that a personal appeal might make the difference, parents even sometimes try to bribe teachers to get their children a chance at a top university. University students beg their teachers for passing grades. "They think if they beg and cry, I will change their

their "seniors," as they are called, like junior classmen in a British public school. Salaries are based on the year one started employment. "There's no punishment," says professor Moon, "and there are no incentives." Forced by the economic crisis to face real competition for the first time, some managers are starting to change the system. But employees are already grumbling. At one subsidiary of a huge *chaebol*, a manager has smashed the stultifying hierarchy by hiring professional managers from outside the company. "I don't like it. I have a person from outside who is junior to me hired above me," gripes one of the company's executives. "But what can I do? I have to change with the times."

So where is Asia headed? The optimists

*If the crisis isn't handled carefully, Asians will resent the reform process—and blame the West*



LABOR UNREST IN SOUTH KOREA: FOR THE FIRST TIME, WORKERS FACE MASSIVE LAYOFFS

been giving loans to judges. "These are cultural habits that will change only very slowly," says Richard Samuelson, managing director of S. G. War-

burg & Co. in Seoul.

Revamping business practices will be the easy part. Kim already has announced plans to clean up the financial system and curb the collusive borrowing of the *chaebol*, the sprawling conglomerates whose reckless expansion contributed to the economy's collapse. It took weeks for the IMF to get a handle on how deep the country's financial crisis is, largely because Korean companies and banks were so

grade," says Frank Dressler, an American English teacher in Seoul. "I tell them 'I don't want to hear it.'" Hospital beds are in short supply, but a little money on the side can put a patient at the top of the queue. Open competition and fair play simply aren't the primary consideration. With so much effort spent on going through the back door, the system is inefficient, not to mention exhausting.

Then there are the rigid demands of traditional society. In business, performance matters less than rank, age, and seniority. Korean companies still operate according to the traditional *kisu* system, in which workers are ranked by seniority. Performance and talent account for little; employees who joined later have to defer to

see real change coming. In South Korea, the Western elite of diplomats and bankers believe the IMF crisis is in some ways a blessing in disguise. Not only will the IMF reforms require the *chaebol* to reform, but they will also give President Kim a boost in his own drive to open his country to the marketplace. Gradually, market forces will cultivate a new culture, in which fairness and laws prevail.

It's an appealing scenario, but it's by no means certain. There are other, more ominous possibilities. Reforming economies is painful; many people will lose their jobs. Kim is a strong leader with a vision of how to lead his country into the modern world. As a result, of all the troubled Asian economies, Korea may have the best chance to come out ahead.

But if the crisis isn't handled carefully, Asians will blame the West and resent the fact that they are being forced to reform. Many Asians noted the ugly symbolism of a recent photograph of the IMF's Michel Camdessus standing, arms crossed, over Indonesian President Suharto as Suharto signed the IMF deal. So far, South Koreans accept that they must change their ways. "They've got a gun to their head," says Henry Cornell, head of direct investments at Goldman, Sachs & Co. in Hong Kong. "They've got to change."

That may be true. But in the meantime, many Asians, like my Korean banker friend, still believe in dark conspiracies. If a backlash really sets in, there could be tougher days ahead.

*Elliott is a Hong Kong-based correspondent for Newsweek.*





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PHOTOGRAPH BY JAMES LEYNE/SABA

SNIPPING IN SHANGHAI: SOME CHINESE HAVE ADAPTED TO POST-MAO REALITIES FASTER THAN OTHERS



# ValueJudgments



*Many still cling to the old ways, but those ways can evolve.*

*Now, Asia is slowly embracing a new, modern pragmatism*

By Frank Ching

DURING EARLIER ROUNDS OF THE debate about "Asian values," human-rights activists and others argued that it was wrong to call thrift, hard work, respect for elders, filial piety, and a preference for harmony over confrontation Asian values. They contended that authoritarian leaders created the concept of Asian values out of whole cloth in an attempt to justify repression of their peoples. After all, as one writer pointed out, "It is hard to define Asian values in a region that has five major cultures, at least six major religions, several distinct forms of social organization, and an ethnic mosaic of astonishing complexity.... What Asian values are we talking here? Islamic values, Catholic values, Hindu values,



Shinto values, or Confucian values?"

But now because of the region's economic turmoil, it seems outsiders are having no problem defining Asian values after all. They are corruption and cronyism, autocracy and interlinking corporate interests, and an absence of human rights, rule of law, and democratic government. These values, we are told, caused of the collapse of the economies of East Asia.

Is there such a thing as Asian values? And will they really change?

The answer to the first question is: maybe. It all depends on one's definition of Asian values. On one hand, it can be

rope. Even language differences are significant. In English, for example, the first-person singular, "I," is always capitalized, signifying the importance of the self, vis-à-vis the other, "you," which is lowercased. The opposite is traditionally the case with Chinese, where the word for self is written smaller than other characters.

This also reflects the position of the individual in society. The debasement of the self suggests that the family, society, or country of which an individual is a part is far more important than any single component of the group. Rugged individualism is not a Chinese ideal.

to create a system of rule of law. While Westerners continue to emphasize the role of *guanxi*, or connections, it is arguable their importance will wane as more modern systems for running China are put in place. There will also be more tolerance of institutionalized conflict, but age-old preferences for conciliation over confrontation will probably slow this process.

One example is China's traditional veneration for age. While age is still revered in China, Deng and his successors have recognized the need for younger people to take the reins of power. The concept of a retirement age is now deeply entrenched in China. Deng himself voluntarily gave up all his official posts years before his death. And as of last year, the party's Central Committee has imposed a retirement age of 70, though there are two exceptions. One is Jiang Zemin. The other is Hua Guofeng, Mao's chosen successor who was maneuvered out of power by Deng. Keeping Hua on the Central Committee is to give face to an old man, as well as to Mao. But the trend is clear.

What makes it so hard to generalize about Chinese values, much less Asian values, is that ethnic Chinese exist in such sharply different environments. Consider Indonesia, whose economy is dominated by ethnic Chinese. Rather than embracing the newer market-oriented rules that some of their mainland brethren are adopting, the Indonesian Chinese who own small and large businesses alike are weathering the crisis largely because they have stuck to age-old values. As Gordon Redding, a professor at the University of Hong Kong, pointed out, "The Chinese family business format was designed to survive intense volatility." As long as the proprietor is content to keep his business relatively small, he is able to reap the profits of his own labors through total control over his business. These Chinese businessmen are likely to adhere to traditional values of thrift and caution, and to do business with their relatives and friends based on a relationship of trust, for some time to come.

So understanding the underlying value shifts for a quarter of the world's population, living in vastly different circumstances, is an imprecise art. If there's any hint of a trend, it may be this: Increasingly, business will be run along business principles, and old values that are inconsistent with business principles will be jettisoned. That doesn't imply an acceptance of everything Western. Just a quintessentially Chinese pragmatism for a new era.

*Ching is a columnist for the Far Eastern Economic Review in Hong Kong.*



**HONG KONG TEMPLE: 'ASIAN VALUES' ARE AS VARIED AS RELIGIONS**

argued that the West created the concept of "Asian values," since it created the concept of "Asia" just as it invented such terms as "the Far East." The West, in a real sense, created an Asian identity because these disparate peoples had once thought of themselves as Chinese or Japanese or Hindu or Javanese or Malay.

But once one accepts the idea of Asia, one can see certain common characteristics among its peoples, in particular those who share a Confucian heritage, such as Chinese, Japanese, and Koreans. And those values do evolve over time.

Allow me to zero in on Chinese values, the kind I'm best equipped to discuss. Ethnic Chinese into and unto themselves are an incredibly varied universe of roughly 1.4 billion people, a fourth of mankind. In general, they share a Confucian tradition that is quite different from the Judeo-Christian tradition of the U.S. and Eu-

Chinese art, too, reflects traditional values. A typical painting of mountains and rivers may show a tiny person—almost invisible—under a tree, fishing. The unstated message is harmony, man as part of nature. After the communist revolution, values changed, as did art. Socialist art showed man dominating nature, no longer in harmony with it.

Ever since the death of Chairman Mao Tse Tung and the emergence of Deng Xiaoping more than two decades ago, Chinese values have been shifting. Mao, after all, was a modern-day emperor and, like emperors of old, his word was law. His officials could submit petitions to him but, in the end, his will always prevailed.

Deng never wielded the authority that Mao had and probably did not want it. A victim of the Cultural Revolution, Deng felt the need to institutionalize China and



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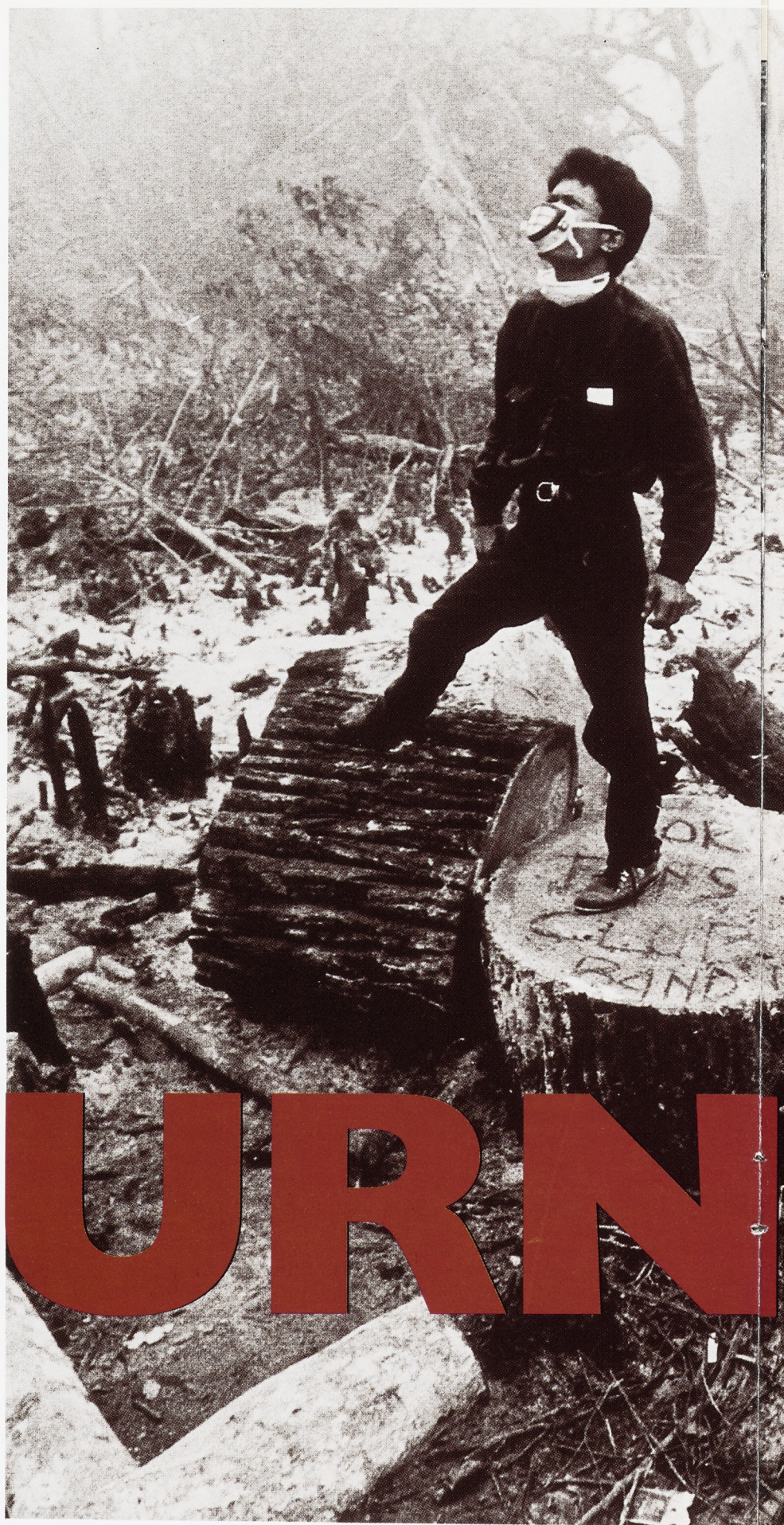
By Pranay Gupte

**I**n the tropical forests of Asia, the burning season rarely ends. While fires consume million of acres annually to clear land for plantations and other agricultural uses, the global and local bureaucrats entrusted with protecting the earth's biodiversity fiddle away

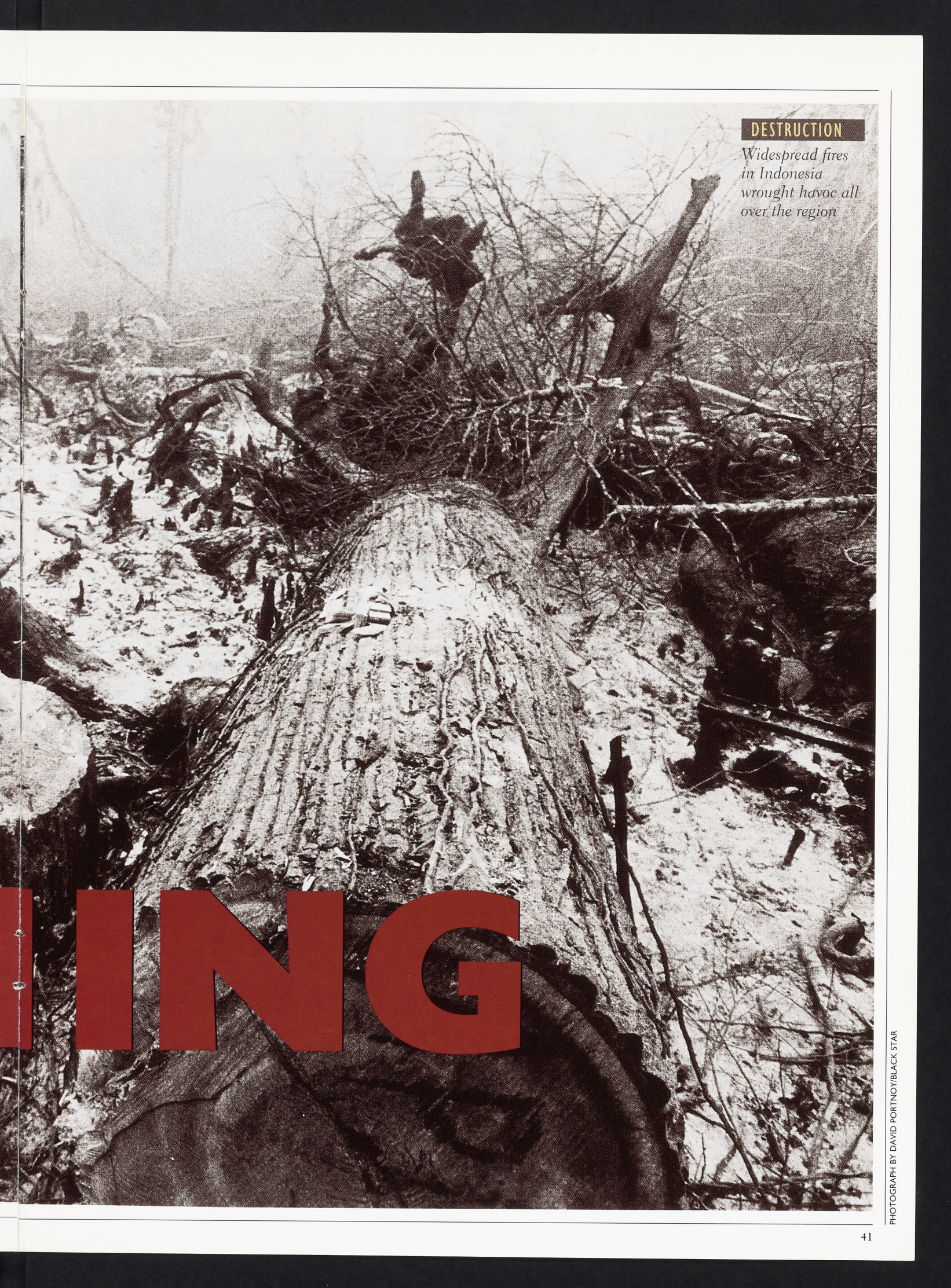
opportunities to develop an effective program to implement sustainable forest management. Last year, in the wake of tragic fires in Indonesia that destroyed huge tracts of precious forests

*Deforestation may be the key ecological issue of the day—and one that imperils the region's economy*

Asia is  
**B**







## DESTRUCTION

*Widespread fires  
in Indonesia  
wrought havoc all  
over the region*

# HING



and disrupted East Asian economies, many of these officials wailed that they lacked a meaningful forestry convention to bolster their hand in combating such disasters. Their complaint would have been more credible if not for the fact that 52 international pacts on the environment, plus scores of national laws, already exist—some dating to the beginning of the century when “environment” didn’t connote a movement with a powerful hierarchy and special priorities.

**S**ustainable forest management, unfortunately, doesn’t seem to be one of those priorities. But it matters because environmental degradation—not only air and water pollution but also depleted natural resources—contributes significantly to Asia’s economic development problems. While the world’s attention has been seized by the economic travails of once-booming nations such as South Korea, Indonesia, and Thailand, issues such as forest management and sustainable human development are rapidly disappearing from the radar screens. The region’s leaders are understandably preoccupied with keeping their economies afloat—what Prime Minister Chuan Leekpai of Thailand calls “reversing East Asia’s reversal of fortune.”

Asia’s development, however, doesn’t exist solely in the realm of economics. Leaders are going to have to focus even more closely on issues such as the human environment and sustainable development to ease crippling poverty and ensure long-term social and economic progress. That is going to be more difficult than ever. Yet that is exactly what will have to be undertaken because, as Leekpai puts it, “what happens in Asia will inevitably have an impact on the global economy as a whole.”

Forest management, sustainable human development, economic growth—all are closely linked in an increasingly interdependent Asia. The continent, after all, has two-thirds of the world’s population of 5.9 billion. And more than 60% of this population lives below the poverty line, defined an annual per capita income of less than \$350. Globalization and economic liberalization simply haven’t helped the vast majority of Asians. Three decades ago, the late Prime Minister Indira Gandhi of India said: “Poverty is the greatest polluter.” So true and so valid still in Asia, where poverty forces people to cut down forests for fuel, damaging environments beyond repair.

There are, regrettably, few voices on the international scene that emphasize sustainable human development in Asia these days. One noteworthy exception is James Gustave Speth, administrator of the United



#### CONTROVERSIAL

*Projects such as the Yangtze River’s Three Gorges Dam are under attack*

Speth said: “The Asian miracle was not simply a high level of [gross national product] growth for a sustained period—part of it was a tremendous reduction in poverty and the creation of human capacities. Even though they have a financial crisis, it’s very important to sustain the focus on social programs, on human development, on anti-poverty efforts.” He said the world can’t afford to have Asia’s progress in

Nations Development Program. This year at the World Economic Forum’s annual meeting in Davos, Switzerland,

human development “sacrificed on the altar of fiscal and financial adjustment.”

Propping up the poor, and not just the banks, is going to require stronger focus on forestry and agriculture because they provide basic livelihoods for millions. But forestry isn’t among the priorities of international environmental movements, notwithstanding a few flashy pop concerts in support of Brazilian rain forests. It’s far more fashionable to rail against car emissions and industrial pollution. Wildlife conservation is an even sexier cause. The international environmental movement is dominated by well-funded groups in the industrialized North, where deforestation isn’t a pressing issue. That may explain why



# SOME OF THE FEATURES

*that go into every*

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the whole business of sustainable forest management has gotten less than top billing in the chancelleries of power.

Asian governments, anxious to accelerate their economic growth and adamant about "national sovereignty," have resisted calls from Western nations to control clear-cutting and logging practices. Some 60% of the world's 8 billion acres of forests are in the developing world. And half of those are in Asia—in China, India, Indonesia, Malaysia, Myanmar, the Philippines, and Thailand.

The Asian environmental scene continues to be controversial, not only because of deforestation issues. The Narmada River dam in India, while expected to generate jobs in farming and small-scale industries for more than 10 million people, has been bitterly criticized by grassroots activists on the grounds that it would destroy the local ecology and uproot millions. The activists have gotten the project scaled down. The Three Gorges Dam project on China's Yangtze River also has drawn protests as have proposed dams in Nepal and Pakistan—leading institutions such as the World Bank to agree to factor the environment more distinctively into their blueprints for development.

What's missing is a holistic approach toward environment and development in Asia and the rest of the Third World. One poorly understood link is how mismanagement of rural areas prods the poorest of the poor to flood into Asia's megacities, compounding the environmental damage. Cities such as New Delhi, Jakarta, and Bangkok are already suffering from frightful pollution levels. "Asia is quickly becoming one large stew of industrial pollution," says Anwarul Chowdhury, Bangladesh's ambassador to the U.N.

Underlying all of this are debates over emissions, with Asia's developing nations seeing a need for restraint by the major energy-using countries but resisting such restraints themselves, lest they be deprived of the rewards of growth. When pressed about their alarmingly high emissions levels, Asian leaders often argue that technology doesn't yet exist to curb emissions without inhibiting economic development. And, they say, rapid industrialization is key to easing poverty. In an age of economic liberalization and growing assertiveness of nations' sovereign rights, there is also the risk that the North-South

divide on climate could turn sharply ideological.

Already, leaders such as Prime Minister Mahathir Mohamad of Malaysia have revived the argument that what works for the rich isn't necessarily in the best interests of the poor. Claiming eco-sovereignty, they accuse rich Western countries of eco-imperialism. Mahathir and others also say Western nations should first clean up their own environments before lecturing Asia.

Development is a long, untidy, and uneven process. And while international conferences such as the one held in Kyoto last year can set overall objectives, the real effort needs to be made at the grassroots. Such a process would adequately take into account cultural sensitivities, traditions, and the capacity of nations to respond to their economic and social challenges.

Will the Asian environmental issue only

*Among activists, it's far more fashionable to rail against industrial pollution than to focus on reforestation*



grab international attention when major fires flare? The sorry record so far certainly suggests so, but here are some points that diplomats, environmentalists, and journalists might do well to consider:

- Deforestation isn't only an Asian issue. Some 70% of the people in the 127 countries of the developing world rely on wood for fuel—because, 50 years after rich countries started transferring large amounts of cash and technology to promote "development" in poor countries, energy is still in short supply in developing nations. Unless crippling poverty, the root cause of underdevelopment, is addressed through wider education, better health care, and accelerated job creation, environmental degradation will deepen. Reforestation should be a high priority for those engaged in sustainable human development issues, especially in Asia, the world's rice bowl.

- Deforestation in Asia will eventually affect the global economy. The international trade in forest products is \$115 billion annually, more than 75% of it Asian.

Forests in countries such as Indonesia are cleared by big corporations to plant pulpwood and palm oil trees, but such clearing rarely follows proper land-use policies. Tage Michaelson, a Dane who advises the U.N. on forestry, says deforestation means "disinvestment in land, and lowering of land values in the long run." In many parts of the world—Myanmar and Thailand, for instance—there's a shortage of timber because of an unsustainable rate of logging in the past two decades. Reforestation, on the other hand, promotes indigenous agriculture and employment in rural regions.

- International resolutions on the environment cannot be implemented unless the sustainable development constituency is broadened. This means that global organizations and local authorities must invite more nongovernmental groups, indigenous people, and scientists to participate in

policy formulation. Much too often, warm and fuzzy concepts such as "sustainable development," which sound good in the chambers of diplomacy, don't resonate at the grassroots level because everyday people just don't understand their relevance. "Good environmental protection should be synonymous with people's economic well-being," says Dr. Steve Howard of the World Wide Fund for Nature.

But groups such as the World Wide Fund, the Rainforest Alliance, and Conservation International are based in industrialized countries. Their goodwill and energy are often perceived in Asia as flowing from a modern-day equivalent of missionary zeal. The real effort on sustainable forest management must come from Asian nations themselves. They, after all, have the biggest stake in ensuring that the burning season is contained.

Gupte, editor of The Earth Times, is a columnist for Newsweek International and a contributing editor at Forbes.



She remembers the "olden" days.

Before color television.

Her 20-year-old remembers the "olden" days.

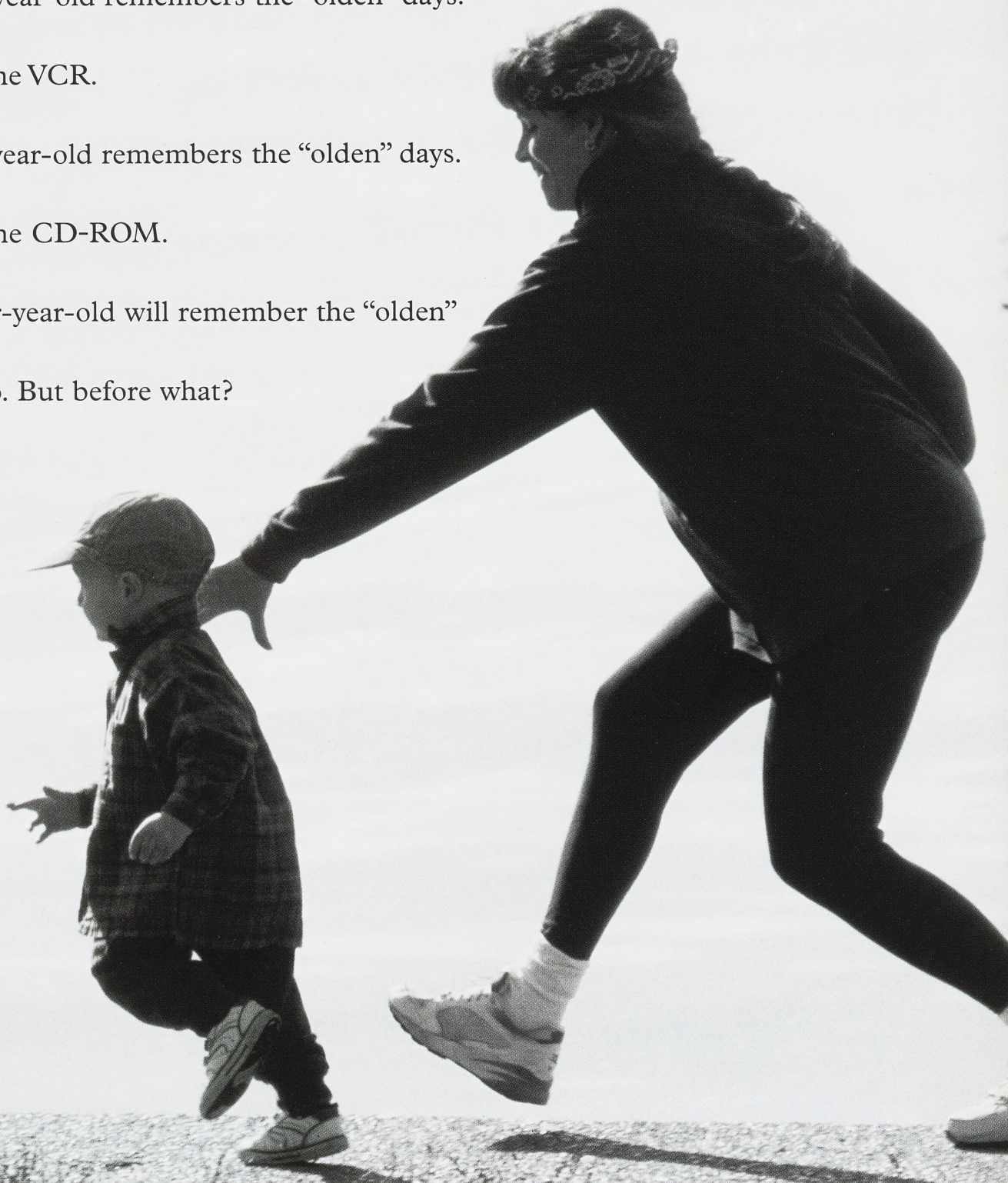
Before the VCR.

Her 10-year-old remembers the "olden" days.

Before the CD-ROM.

Her four-year-old will remember the "olden"

days, too. But before what?







# Bloomberg News

A proud supporter of The Overseas Press Club



# The Overseas Press Club of America ANNUAL AWARDS



By Michael S. Serrill, Awards Chairman

EVENTS IN FOREIGN LANDS HARDLY DOMINATED THE news in 1997, when the U. S. was transfixed by domestic scandal. But the world did not stop going round while President Clinton and Ken Starr duked it out. And U. S. news organizations produced some fine journalism from points as far-flung as Hong Kong, Havana, and Kinshasa. Our list of award winners, culled from 374 entries, is dominated by two regions: Asia and sub-Saharan Africa. The two big Asia stories—the “handover” of Hong Kong to China and the regional economic crisis—generated eight winners and Citations for Excellence. Four of the six winning entries out of Africa concerned the collapse of the Mobutu regime in Zaire. Certainly the bulkiest winner was the *Philadelphia Inquirer*’s 29-part reconstruction of the 1993 gun battle that killed elite U. S. troops in Somalia, which won in the newspaper reporting category.

*Two regions—Asia  
and sub-Saharan  
Africa—are  
prominent in this  
year’s awards*

Other winners concerned locales as diverse as Russia, India, and Mexico. We were surprised and pleased at the large number of entries generated by our new award for reporting from Latin America.

The OPC’s most noteworthy commendations, however, focus on events that are long past—the succession of wars in Indochina. In a departure, the club was persuaded to allow a single entry—a book of photographs called *Requiem*—to win two awards. The volume, put together by Horst Faas and Tim Page, consists entirely of images taken by photographers who died covering those wars. The names of the 135 newsmen represented in *Requiem* appear on our two spreads of photos, on pages 50-53, from this extraordinary book.

I wish to thank all of our entrants for their participation, and all of our judges for the gift of their time.



## 1 The Hal Boyle Award

*Best newspaper or wire service reporting from abroad*

### MARK BOWDEN

*The Philadelphia Inquirer*  
"Blackhawk Down"



Although it is about an event that occurred in 1993, this graphic, 29-part narrative about the disastrous U.S. military operation in Mogadishu, Somalia, raises jarring questions about America's role as global peacekeeper and the Pentagon's control over press coverage of warfare. To dig out the details of this one-day battle, in which 91 elite American soldiers were killed or wounded, the author broke down the military's wall of secrecy by obtaining classified records and interviewing dozens of participants, including Somali fighters and members of America's secret Delta unit.

#### CITATIONS: Nate Thayer

*The Wall Street Journal*  
"Interview with Pol Pot"

**Sam Dillon, Tim Golden,**  
**Julia Preston, Craig Pyes**

*The New York Times*  
"Mexican Corruption"

## 2. The Bob Considine Award

*Best newspaper or wire service interpretation of foreign affairs*

### HOWARD W. FRENCH JAMES C. MCKINLEY, JR.

*The New York Times*  
"Reports from Africa"



FRENCH



MCKINLEY

Of the many heroic journalists who covered the horrifying civilian massacres in Zaire last year, the work of French and McKinley stood out. With vivid, timely, and insightful reporting and analysis, the authors covered the pending fall of dictator Mobutu Sese Seko and foreshadowed the horrors that would follow. Despite bouts of malaria and frequent detentions, the authors traveled widely in the remote war zone to report on the military successes of rebel troops led by Laurent Kabila and the subsequent murder of Hutu refugees.

#### CITATIONS: Marshall Ingwerson

*The Christian Science Monitor*  
"Caspian Journey"

**Rone Tempest**

*Los Angeles Times*  
"China Steps Forward"

## 3. The Robert Capa Gold Medal ~ 4. The Olivier Rebbot Award

*Best published photographic reporting from abroad requiring exceptional courage and enterprise*

It is highly unusual for the Overseas Press Club to permit a single entry to win more than one award. For an exception to be made, the winning project must be extraordinary. That is a fitting description of the book "Requiem," a compendium of images by 135 photographers who died in Indochina. We couldn't deny this sometimes moving, sometimes shocking, always fascinating book the Robert Capa Gold Medal, since Capa himself died in Vietnam.

And while there were many fine nominations for the Olivier Rebbot Award for the best photography in books and magazines, the judges felt that in that category "Requiem" also stood head and shoulders above the rest. The book was compiled by two men who were both inspired and scarred by their own experience in Indochina. Horst Faas, a senior picture editor at the Associated Press, in 1965 won the Capa award and, in 1972, the Pulitzer Prize for his photos from Vietnam. His co-editor was Tim Page, a British photographer who was seriously wounded in the war. Faas and Page went



**HORST FAAS** **TIM PAGE**

*Random House*

"Requiem: By the Photographers  
Who Died in Vietnam and Indochina"

*Best photographic reporting from abroad in magazines and books*

to extraordinary lengths to compile photos not just from Western photographers assigned to cover the succession of Indochina wars but also from unknown Vietnamese photographers who were assigned, generally as soldiers, to record the war's victories and defeats, heroes and victims. The work took six years to produce, and the result is a gripping collection of pictures, some of which are very familiar to those with memories of the war, while others have never before been published. These haunting images are a magnificent tribute and testament to the enterprise and courage of 135 men and women who made the ultimate sacrifice in their quest to bring the truth about Vietnam home.

#### CITATIONS FOR THE OLIVIER REBBOT AWARD:

**Eugene Richards**

*Natural History*  
"Surviving in Safo"

**Larry Towell**

*DoubleTake/W.W. Norton*  
"El Salvador"



## 5. The John Faber Award

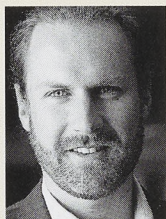
*Best photographic reporting from abroad  
in newspapers and wire services*

### JOHN MOORE

*Associated Press*  
"Zaire Refugees"

Photo editors, especially those who have been in the business for a while, have a tendency to become jaded when looking at ongoing stories. This is especially true for stories out of Africa, where photos of carnage and disaster from Rwanda, Ethiopia, and other nations have all started to look the same. This year's winner of the John Faber Award, John Moore of the Associated Press, was an exception. His collection of photos had a freshness to them. Every picture in his essay was strikingly new and different and brought us a greater understanding of the story.

**CITATION:** **Santiago Lyon**  
*Associated Press*  
"Unrest in Albania"



## 7. The David Kaplan Award

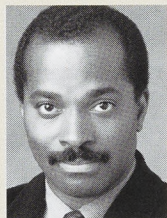
*Best TV spot news reporting from abroad*

### RON ALLEN DAVID DOSS BABAK BEHNAM

*NBC Nightly News*  
"Zaire Becomes  
the Congo"

In a series of dramatic, on-the-scene reports, Allen highlights the departure of Mobutu Sese Seko as the guerilla forces under Laurent Kabila move into Kinshasa. Scenes of brutality intermixed with footage of people dancing, singing and looting graphically convey the feeling of a nation in transition from a thieving dictator to an uncertain future under Kabila. Allen ably recounts, summarizes and puts into perspective the developing story as the streets scenes swirl around him.

**CITATIONS:** **Peter Van Sant, Joe Halderman**  
*CBS Evening News*  
"Albania in Chaos"  
**Diane Sawyer, John Sicheloff**  
*ABC News - Primetime Live*  
"North Korea: A Starving Nation"



ALLEN



DOSS



BEHNAM

## 6. The Lowell Thomas Award

*Best radio news or interpretation of foreign affairs*

### JENNIFER GLASSE HANK WEINBLOOM

*ABC News Radio*  
"Perspective: Zaire"

In a thoughtful report from a continent where news coverage often is superficial, ABC News Radio gave listeners a clear, lively, street-level explanation of a nation's crisis. It used the voices of everyday people—workers, soldiers, mourners at a funeral—to tell how an inept, corrupt government's hold on the country was slipping and to correctly foretell how that government would fall to the forces that would rename the country Congo.

**CITATION:** **Sandy Tolan**  
*Living on Earth*  
"Middle East Troubled Waters"



GLASSE



WEINBLOOM

## 8. The Edward R. Murrow Award

*Best TV interpretation or documentary on foreign affairs*

### FERGAL KEANE MIKE ROBINSON MICHAEL SULLIVAN DAVID FANNING

*Frontline/WGBH Boston  
and BBC Panorama*  
"Valentina's Nightmare"

After the massacre of her village in a church courtyard, a 13-year-old Tutsi girl named Valentina Iribagzia lay gravely wounded, hidden for days among the corpses of her family and neighbors. When he first saw Valentina, BBC reporter Fergal Keane was told that she would probably die, but her face would continue to haunt him. In this powerful portrait of genocide, Keane returns to Rwanda to look back on the 1994 massacre of 800,000 Tutsi by the Hutu majority and to explore the country's struggle for justice through the story of one girl who miraculously survived.

**CITATIONS:** **Matt Meagher, Brad White,  
Steve Shapiro, Norman Green**  
*Inside Edition*  
"Worker Abuse in the Marianas"  
**Peter Taylor, Karen O'Connor, Andrew  
Williams, Michael Sullivan, David Fanning**  
*Frontline/WGBH Boston and BBC News*  
"Behind the Mask: The IRA and Sinn Fein"



KEANE



ROBINSON



SULLIVAN



FANNING



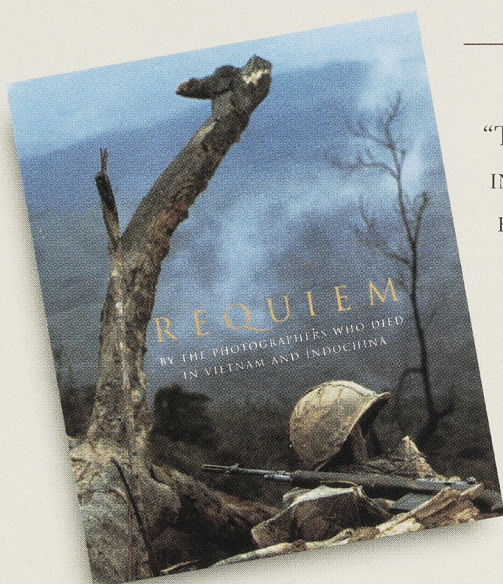
AUSTRALIA ALAN HIRONS AUSTRIA GEORG GENSLUCKNER BRITAIN LARRY BURROWS • JAMES DENIS GILL CAMBODIA CHEA HO • CHHIM S. SOPHAN SAING HEL • SOU VICHITH • SUN HEANG • TEA KIM HEANG • THONG VEASNA • TY MANY • VANTHA FRANCE CLAUDE ARPIN-PONT • FRAYMOND MARTINOFF • JEAN PERAUD • FRANCOIS SULLY GERMANY DIETER BELLENDORF JAPAN TAIZO ICHINOSE • HIROMICHI MINE • KYOICHI OKADA UNITED STATES ROBERT CAPA • SAM CASTAN • DICKEY CHAPELLE • CHARLES RICHARD EGGLESTON • ROBERT JACKSON ELLISON • SEAN FLYNN • TERRY REYNOLDS • JERRY A. ROSE • DANA STONE • PETER RONALD VAN THIEL SOUTH VIETNAM HUYNH THANH MY • DO VAN VU • NGUYEN MINH THIEP • DUONG THANH VAN • HO CA • HO VAN DE • HO VAN TU • HOANG CHAU • HUYNH VAN DUNG • HUYNH VAN HUONG • HUYNH VAN HUU

The Robert Capa Gold Medal & The Olivier Rebbot Award

REQUIEM

"THE TITLE SAYS THIS IS A REQUIEM FOR A WAR, BUT THIS STRIKING BOOK IS A FORM OF HOMAGE PAID BY THOSE WHO MADE IT BACK FROM VIETNAM TO THE MEMORY OF THOSE WHO DID NOT . . . THE PHOTOGRAPHERS REPRESENTED HERE GAVE US SOMETHING SPECIAL, A REMARKABLE RECORD OF THAT DISTANT WAR . . . THEY GAVE US IMAGES THAT HAVE THE POWER TO ENDURE. THOSE IMAGES REMAIN POWERFUL, A CRITICAL PART OF WHAT CONSTITUTES MODERN MEMORY."

—DAVID HALBERSTAM







M SARATH • CHHOR VUTHI • HENG HO • KIM SAVATH • KUOY SARUN • LANH DAUNH • RAR • LEK • LENG • LY ENG • LYNH NHAN • PEN PUT  
 T • FRANCIS BAILLY • GILLES CARON • FRANZ DALMA • BERNARD B. FALL • GERARD HEBERT • HENRI HUET • PIERRE JAHAN • MICHEL LAURENT •  
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 N MAN HIEU • VU VAN GIANG VIETNAM BUI DINH TUY • DANG VAN HANG • DINH DE • DO VAN NHAN • DOAN PHI HUNG • DUONG CONG  
 N HUU • HUYNH VAN TRI • KIM VAN TUOC • LE DINH DU • LE DUY QUE • LE KHAC TAM • LE KIA • LE THI NANG • LUONG NGHIA DUNG •



CAMBODIA, 1970:  
 SOLDIERS OF THE  
 U.S. 11TH ARMORED  
 CAVALRY REGIMENT  
 SPRAY THE AREA IN AN  
 EXERCISE KNOWN AS  
 MAD MINUTE

KHE SANH, VIETNAM,  
 1968: AN AMMUNITION  
 DUMP STRUCK BY  
 A SHELL EXPLODES  
 IN FRONT OF  
 U.S. MARINES





WAR ZONE D, VIETNAM, 1967:  
SPECIALIST JAMES E. CALLAHAN  
TENDS TO AN INFANTRYMAN  
DURING AN AMBUSH NEAR SAIGON



CHU LAI, VIETNAM,  
1965: A U.S. MARINE  
CHAPLAIN ADMINISTERS  
LAST RITES TO WAR  
CORRESPONDENT  
DICKEY CHAPELLE

LUONG TAN TUC • LY VAN CAO • NGOC HUONG • NGOC NHU • NGUYEN DUC THANH • NGUYEN DUNG • NGUYEN HUONG NAM •  
NGUYEN HUY • NGUYEN KHAC TAM • NGUYEN LUONG NAM • NGUYEN NGOC TU • NGUYEN NHUT HOA • NGUYEN OANH LIET •  
NGUYEN THANH HIEN • NGUYEN TRUNG DINH • NGUYEN VAN CHIEN • NGUYEN VAN CHIEN • NGUYEN VAN HUONG • NGUYEN VAN  
MAN • NGUYEN VAN NANG • NGUYEN VAN NHU • NGUYEN VAN THA • NGUYEN VAN THANG • NGUYEN VAN THUAN • NGUYEN VAN  
THUY • NGUYEN VAN UNG • NGUYEN VIET HIEN • PHAM CO PHAC • PHAM TRANH • PHAM VAN KUONG • PHAM VU BINH



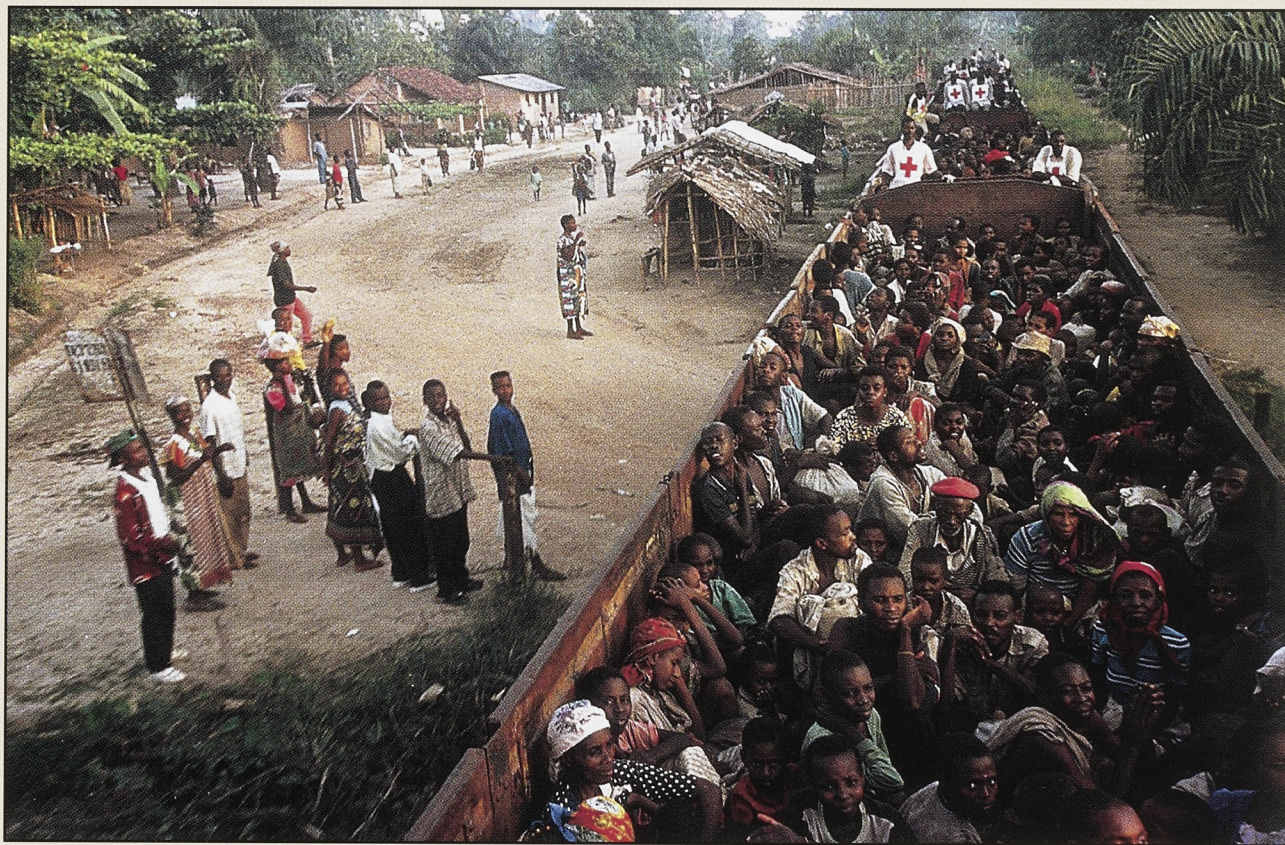


LAOTIAN BORDER,  
1971: PHOTOGRAPHER  
LARRY BURROWS  
THREE DAYS BEFORE  
HE WAS KILLED IN A  
HELICOPTER CRASH

BONG SON, VIETNAM,  
1966: U.S. SOLDIERS  
POINT THEIR WEAPONS  
AT VILLAGERS THEY  
FLUSHED FROM  
THE BRUSH ALONG  
THE RIVERBANK

PHUNG QUANG LIEM • SAU VAN • THANH TINH • THE DINH • THOI HUU • TO DINH •  
TRAN BINH KHUOL • TRAN NGOC DANG • TRAN OAI DUNG • TRAN XUAN HY •  
TRINH DINH HY • TRUONG PHU THIEN • VO DUC HIEP • VO NGOC KHANH • VO VAN  
LUONG • VO VAN QUY • VU HANH • VU HUNG DUNG • VU NGOC TONG

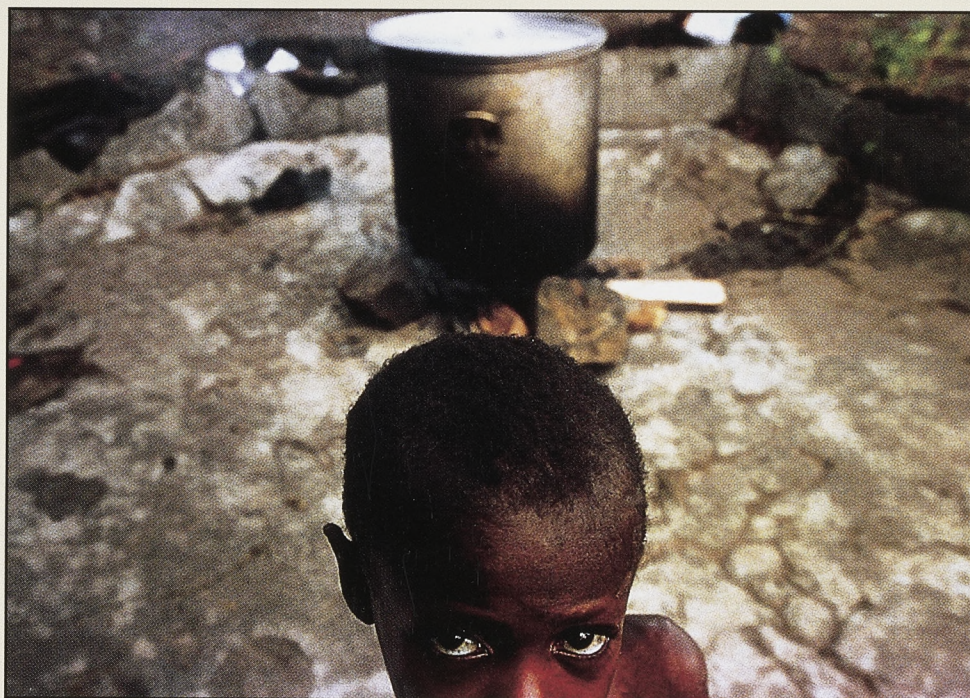




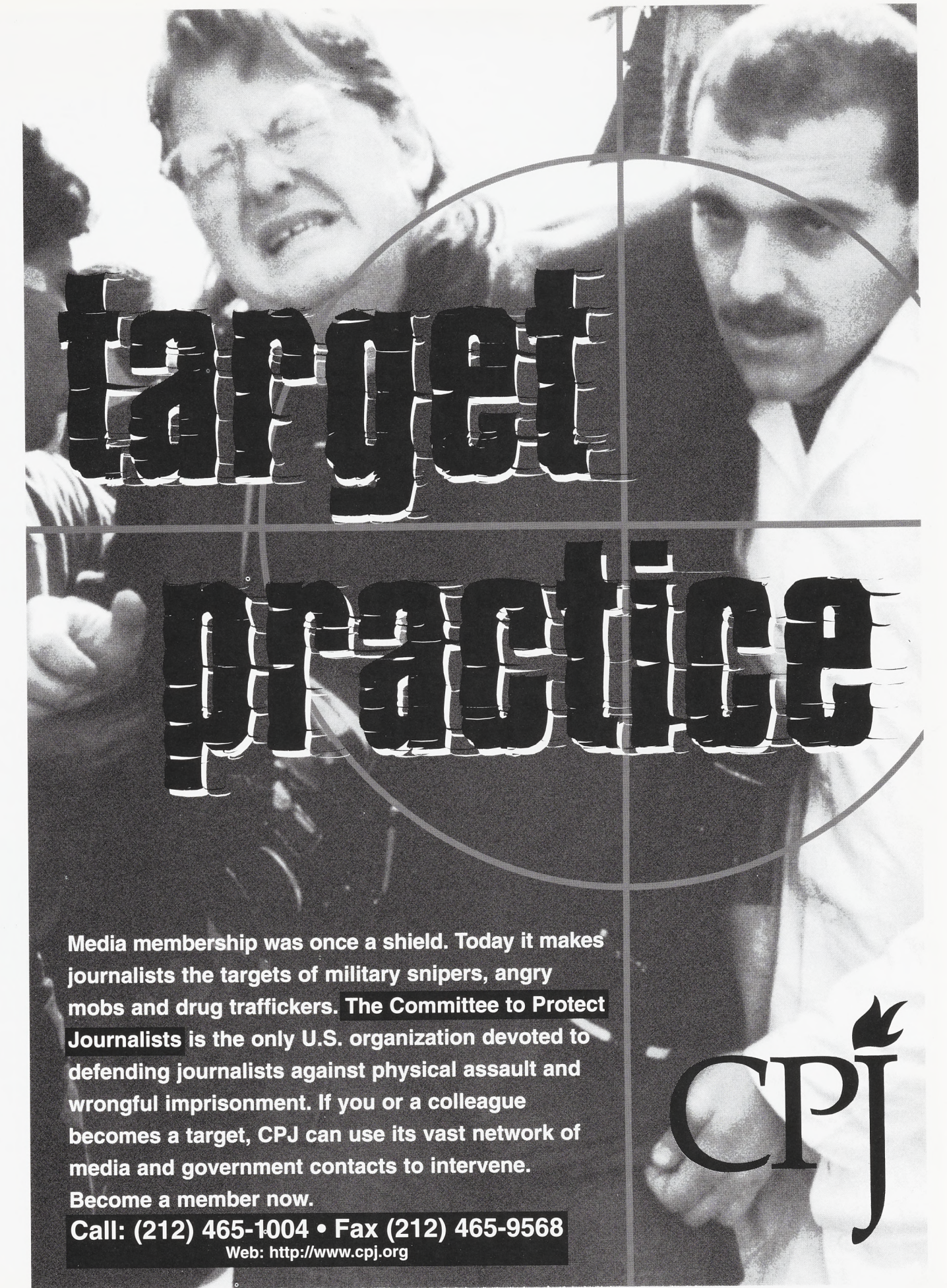
The John Faber Award

JOHN MOORE

ZAIRIAN VILLAGERS  
WATCH REFUGEES  
BEING EVACUATED  
BY TRAIN (ABOVE)  
TO RWANDA.  
A YOUNG HUTU  
REFUGEE AWAITS  
LUNCH AT A  
TRANSITIONAL CAMP  
OUTSIDE KISANGANI,  
ZAIRE (RIGHT).







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## 9. The Ed Cunningham Memorial

*Best magazine reporting from abroad*

**STEVEN STRASSER  
DORINDA ELLIOTT  
MELINDA LIU  
AND THE  
NEWSWEEK TEAM**

*Newsweek*

"Hong Kong's Handover  
to China"



STRASSER



ELLIOTT



LIU

*Newsweek* demonstrated thorough and insightful reporting on the historic return of Hong Kong to the Chinese after 156 years of British rule. This excellent collection of stories on the "handover" was the culmination of a yearlong effort involving a team of talented and enterprising journalists who offered thoughtful analysis about the implications for Hong Kong's—and ultimately China's—future. First-class fact-finding and seasoned commentary combined to produce a stunning overview on this major chapter in China's evolution.

**CITATIONS: Elizabeth Rubin**

*Harper's Magazine*

"An Army of One's Own"

**Johanna McGeary, Sandra Burton, John Colmey, Jaime FlorCruz**

*Time*

"Special Report: The Big Handover"

## 11. The Morton Frank Award

*Best business reporting from abroad in magazines*

**THE BUSINESS WEEK ASIA TEAM  
JOYCE BARNATHAN WILLIAM GLASGALL  
BRIAN BREMNER CHRISTOPHER POWER  
MARK CLIFFORD SHERI PRASSO  
BRUCE EINHORN MICHAEL SHARI  
PETE ENGARDIO**

*Business Week*

"Asia in Crisis"

The prime financial story of 1997 was obviously the crisis in Asia. It caught so many journalists off guard that the conventional wisdom is that it came as a surprise. It was no surprise to *Business Week*, however. Having won an OPC citation for the 1996 cover story "Asia: Time for a Reality Check," the magazine dropped another warning in February, 1997, with the cover story "Asia's Bad Banks." The story rang all the bells that have now become familiar: a condemnation of crony capitalism and a call for "more disclosure, better accountability to shareholders, and less meddling by government bureaucrats." Nobody who read *Business Week* could have been surprised when Thailand's devaluation in July sent tremors throughout Southeast Asia. The three subsequent cover packages gave readers a clear, comprehensive, and prescient view of the continuing disaster. Together, they are financial journalism at its best.

**CITATION: Peter Elkin**

*Fortune*

"Blood Feud"

## 10. The Thomas Nast Award

*Best cartoons on foreign affairs*



**ROBERT L. ARIAIL**

*The State*

Columbia, S.C.



Ariail wins for his willingness to tackle complex issues and his ability to translate the ironies and outrages of the news into simple but powerful images. Whether the issue was Iraqi stonewalling on arms inspections, the Asian meltdown, or the question of Swiss cooperation with Germany in World War II, Ariail can evoke a chuckle or a snort of indignation with just a few strokes of his pen.

**CITATIONS: Kevin Kallaugh**

*The Baltimore Sun*

**Rob Rogers**

*Pittsburgh Post-Gazette*



## 12. The Malcolm Forbes Award

*Best business reporting from abroad  
in newspapers or wire services*

### THE WALL STREET JOURNAL TEAM

*The Wall Street Journal*

"The Asia Shock: The Economic Crisis  
That's Jolting the World"

The *Journal's* coverage of Asia's economic meltdown was by far the most prescient, enterprising, and comprehensive of this year's entries. In July, 1996—one full year before Thailand devalued its currency—the paper reported that Thailand's economy was headed for trouble. Then in January, more than 10 months before Korea's economic collapse, it warned of that impending crisis. With reporters chiming in from Asia, Europe, Latin America, and the U.S., the *Journal* supplied a broad, richly detailed history of the turmoil in all its complexity. The reporting was authoritative, the writing superb, and the explanations of the causes and consequences easy to grasp.

#### CITATION: Sandra Sugawara

*The Washington Post*

"The Asian Economic Crisis"

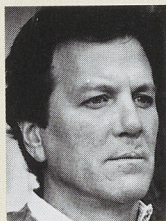
## 14. The Cornelius Ryan Award

*Best nonfiction book on foreign affairs*

### PATRICK SMITH

*Pantheon Books*

"Japan: A Reinterpretation"



Smith has produced an intelligent, lucidly written analysis of contemporary Japan. The author gives us a fresh, nuanced, and surprisingly sad picture of a nation that has lost something in its rush to wealth and security, skillfully weaving together a number of themes—the role of women, the impact of cold war politics, and the cult of the Emperor. In his original approach to postwar relations between Japan and the U.S., Smith makes us think of Japan in new ways.

#### CITATION: Dan Oberdorfer

*Addison-Wesley*

"The Two Koreas: A Contemporary History"

## 13. The Carl Spielvogel Award

*Best business reporting from abroad in the broadcast media*

### JULIE MCCARTHY MICHAEL SULLIVAN LOREN JENKINS

*National Public Radio*

"Asian Economic Crisis"



MCCARTHY

NPR provided vivid, intelligent vignettes on the year's biggest breaking economic story, using imaginative, street-level reporting, thoughtful analysis, and knowledge of local politics to convey the magnitude and consequences of the crisis that first hit Thailand, then spread to Malaysia, Indonesia, Korea, and other ex-Asian "tigers." To its credit, NPR avoided the hyperbole, clichés, and tired scenes that characterized other reports on the Asian meltdown.

## 15. The Madeline Dane Ross Award

*Best foreign reporting in any medium showing  
a concern for the human condition*

### VANORA BENNETT

*Los Angeles Times*

"Victims of the  
Revolution: The Oppressed  
and Neglected of  
Post-Communist Russia"



BENNETT

### CAROL J. WILLIAMS

*Los Angeles Times*

"Life on the Edge:  
Russia's Far-flung Regions Struggle with Reforms"



WILLIAMS

Submitted as two separate entries, the judges decided that together these articles presented such a compelling picture of post-communist Russia that their authors should share the award. Both writers were able to personalize the stories of the casualties of the collapse of the Soviet Union in an extraordinarily well written series that not only explained what happened but how and why.

#### CITATIONS: Laurie Garrett

*Newsday*

"Crumbled Empire, Shattered Health"

**Peter Waldman**

*The Wall Street Journal*

"Body Count"



## 16. The Eric and Amy Burger Award

*Best foreign reporting in any medium dealing with human rights*

**BRIAN ROSS  
RHONDA SCHWARTZ  
DAVID RUMMEL  
PHYLLIS McGRADY**

ABC News—  
*Primetime Live*  
“Blood Money”



ROSS



RUMMEL



SCHWARTZ



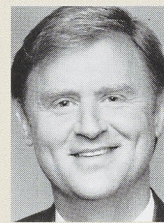
McGRADY

Both broadcast magazine pieces involve exemplary undercover reporting and personal risk, especially to the local reporters who were essential to the telling of the stories. In “Blood Money,” ABC exposes an illegal black market, operated by Chinese authorities in the U.S. and other countries, trafficking in human body parts harvested from ex-

**PETER VAN SANT  
RANDALL JOYCE  
NICK TURNER  
TOMAS VAVRUSA**

**GORDANA IGRIC**  
*Serbian journalist*

CBS News—*Public Eye*  
“In Plain Sight”



VAN SANT

cuted Chinese prisoners. Meanwhile, CBS’s *Public Eye* takes us to Foca, Bosnia, where its reporters set out to do what NATO troops claim they cannot do—find an indicted war criminal. The team manages to track a suspect to a local cafe and capture him on videotape, bragging about his crimes, while peacekeeping troops sip coffee nearby.

**CITATION:** Philip Gourevitch  
*The New Yorker*  
“The Return”

## 17. The Whitman Bassow Award

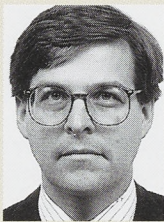
*Best reporting in any medium  
on international environmental issues*

**GARY COHN  
WILL ENGLUND  
PERRY THORSVIK**

*The Baltimore Sun*  
“The Shipbreakers:  
Scrapping Ships,  
Sacrificing Men”



COHN



ENGLUND

What began as a local story—the bungled scrapping of an aircraft carrier in the Baltimore area—led the reporters to international ports and an exposé of a business called shipbreaking, in which ships laden with toxic substances are broken apart for scrap and in the process pour tons of PCBs, asbestos, and other pollutants into international waterways—while exposing workers themselves to disease and death. After the publication of the *Sun*’s series, the U.S. Navy suspended plans to scrap American warships overseas.

**CITATIONS:** Cory J. Meacham  
*Harcourt Brace & Co.*  
“How the Tiger Lost Its Stripes”  
**Paul Raeburn, John Carey,**  
**Catherine Arnst, Bruce Nussbaum**  
*Business Week*  
“1997 coverage of Global Warming”

## 18. The Robert Spiers Benjamin Award

*Best reporting in any medium on Latin America*

**MARY BETH SHERIDAN**

*Los Angeles Times*  
“Mexico: Beyond the Myth”



Sheridan’s outstanding reporting takes the story of Mexico and U.S.–Mexican relations beyond the stereotypes and conventional wisdom that dominate thinking about our southern neighbor. Her fascinating slices of Mexican life range from a discussion of the ancient peasant-landlord animosity that is the real fuel behind the uprising in Chiapas to the new realism of Mexican *telenovelas*, or soap operas. But where Sheridan really shines is in her economic reporting, which elucidates the sharp divide between the “Dollar Mexicans” who are benefiting from the NAFTA-inspired export boom and the “Peso Mexicans” who have yet to recover from 1995’s devaluation and recession.

**CITATIONS:** Alma Guillermoprieto  
*The New Yorker*  
“The Riddle of Raul”  
**Sebastian Rotella**  
*Los Angeles Times*  
“Window On Latin America”





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By Robert Keatley

A young diplomatic officer named Alan Wendt retreated steadily toward the top of the American Embassy in Saigon late one night 30 years ago. As Vietcong troops shot their way into the floors below, he didn't spend much time pondering the U.S. role in Asia. He was trying to survive it.

It was 1968, during the Tet attack in South Vietnam. That campaign, in which the American side (eventually) won a battle but lost a war, marked a low point in America's centuries-old involvement in Asia. To many, it seemed that U.S. authority was heading for an ignominious crash. Wendt might have sensed something like that at the moment, but it was no time for reflection: He was urgently summoning shocked U.S. troops to the rescue. Just in case they didn't make it in time, he was destroying secret documents as he abandoned embassy offices, a .45 automatic at his side. "My main thought was that I was not going to get out of there alive," he recalls.

Wendt survived that night of peril—to day, he is an urbane former ambassador living in Washington—and so has American influence. The retired diplomat still wonders at times just how well his country is faring in Asia, but his questions aren't about whether an American presence will endure. Like those of many other former Asia hands, they're more often about the fine-tuning of U.S. policy, and how to make it more effective.

## Toward a New

# American







**WAL-MART IN  
SHANGHAI:  
U.S. BUSINESS  
PRESENCE IS  
A POWERFUL  
INFLUENCE**

To a degree that seemed downright impossible not so long ago, the U.S. has emerged again as the area's preeminent power, moving from failure in Indochina to political and economic success across the region. There's little doubt that this great influence will last, either. Contrary to the theme of the best-selling book of a few years ago, it is the U.S., not Japan, that ranks No. 1 in Asia and elsewhere these days. Even China, despite its size, has limited ability to project clout far beyond its borders.

Many Asian leaders consider this powerful U.S. role crucial, and most welcome it—though sometimes only discreetly. For example, the main news from Southeast Asia these days concerns financial crises, not guerrilla war, and those under siege want to hear all about how Treasury Secretary Robert Rubin and his associates will help them resolve their problems—acquired in some measure through their own folly. When a Cambodian leader was deposed by a coup, he turned first to Washington in the (futile) hope that he would be helped back into his rightful office. And when China and Taiwan drifted toward hostilities in the strait that divides them, it was American diplomacy, of both gunboat and briefcase varieties, that led the way back to common sense.

Even in Vietnam, officials say they want more U.S. investors on the scene. They also are hinting that they may soon welcome visiting American warships back to Cam Ranh Bay—if only to give their

*In the aftermath of  
Vietnam, who could  
have guessed that the  
U.S. would again  
emerge as the dominant  
force in Asia?  
Or that Asian  
leaders would  
welcome its  
presence?*

# Century





dian case shows, Washington often doesn't have the will or ability to reverse events it finds distasteful, so it doesn't always try seriously. Although U.S. markets are essential to most Asian economies—America's trade deficits fuel them—and U.S. financial advice is sought eagerly when troubles arise, America can't control the region's economic choices. The present-day Indonesia example suggests that a concerted international effort sometimes is needed to prevent Asian leaders from doing risky things that seem designed more to preserve the personal fortunes of friends and families than those of the nation. And so far, no amount of U.S. badgering has managed to push a timid Japan into acting decisively to revive a moribund economy and assert leadership in Asia.

**WHILE U.S. FORCES STILL PLAY SHERIFF IN THE REGION, A GROWING ECONOMIC ROLE DOES MORE TO UNDERPIN U.S. AUTHORITY**

Tokyo seems to be relying once again on exporting its way out of economic trouble, though this nonstrategy may fail, and Japan risks grave trade and political friction with Washington.

Even so, it's worth recalling how vulnerable America appeared not so many years ago. Above all, there was the aftermath of the Vietnam conflict, where South Vietnamese forces and a half-million U.S. troops couldn't subdue an enemy fed from the north. Tet inspired U.S. public disillusionment with that war. In the end, this led to a stunning political defeat and a national aversion to overseas involvements. Not long before, a Communist-aided coup in Indonesia almost had succeeded, and the new Suharto government was shaky indeed. Thailand faced a small but stubborn Communist insurgency, which it couldn't seem to quell. On the tense Korean peninsula, about the time of Tet, a large North Korean commando squad came close to reaching the South Korean President's official residence, and no one knew what



not-quite-so-friendly former comrades in China something to think about.

**B**eyond that, it's probably even more significant over the long run that more Asian families with sons and daughters in foreign universities send them to American schools rather than to those in other Asian nations, Europe, or elsewhere. There are now some 260,000 Asian students in U.S. institutions, including about 45,000 from Japan and 40,000 each from China and South Korea. They come first of all to study science and business, but along the

way many also learn about democracy, the rule of law, and individual freedoms. Many bring those concepts—so subversive to traditional or authoritarian ways that still prevail in many Asian lands—back home with them. None of this is to suggest that the U.S. somehow holds imperial power in Asia, cultural or otherwise, or that it seeks it or should have it.

The American writ has distinct limits, and Washington—notably, the Clinton Administration in early years—often has expended its influence in foolish and wasteful ways. In politics, as the Cambo-



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would happen next. "Experts" speculated all this was being masterminded in Beijing, where Mao Zedong's Cultural Revolution hadn't yet been widely perceived as the dangerous madness it truly was. Meantime, Japan was being touted as the next economic superpower, one that would supplant U.S. industry and applied technology.

But a funny thing happened on the way to second-rate status for the U.S. For one thing, Chairman Mao came to agree with a 1967 *Foreign Affairs* article by a future U.S. President, Richard Nixon, that suggested the hostile Sino-American relationship could and should be improved. Mutual distrust of the Soviet Union fueled the eventual rapprochement, but the move led to a revolution in Asian diplomacy as former foes began doing business with one another despite lingering antagonisms. Vietnam was forcibly unified, but no Asian dominoes fell outside the Indochina war zone. Rapid growth became the standard across noncommunist East Asia—and inside China, too, once Deng Xiaoping was able to jettison Mao's destructive policies. After some glory years,

*There are limits to how  
the U.S. model can be  
applied, particularly if  
the attempt means  
lecturing Asians about  
their shortcomings*

Japan's mercantilist ways stopped working, and that nation no longer offered a useful economic model for the rest of Asia.

**M**eanwhile, after some bad patches in the '70s and '80s, the U.S. economy began leading the world in innovation and job creation—generating the market demand on which Asians rely, especially in their current straitened circumstances. A sclerotic Europe can't fill that role, and after the Soviet Union collapsed, no credible rival competed for global political leadership. Neither could any other nation absorb the remaining

U.S. security role in the region. For half a century, American forces have helped keep the peace on the Korean peninsula, while the Seventh Fleet can still play sheriff if local disputes threaten to get out of hand. Many Asians have qualms about relying on this force for regional stability and their own safety, but none of the smaller nations wants either China or Japan as a replacement—and those big powers don't trust each other enough to want the Americans to leave.

Another recent casualty of Asia's crises has been the notion that so-called Asian values are a viable substitute for Western democratic and human-rights ideals. It's true that much of Asia has a special affinity for hard work, education, saving, and family, and these can be the foundations of stable and prosperous societies. But there's nothing peculiarly Asian about these values. They exist in greater or lesser degrees everywhere. Asia's crises reveal that other standards—also not necessarily Asian—have been all too prevalent: cronyism, corruption, repression, a lack of transparency and accountability in civil and business affairs. The smugness about



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Asian values that emanated in particular from Singapore is dissipating, its 15 minutes of fame expended. Now, many Asians realize their real concerns are about human values of wider application.

Taiwan and South Korea have moved from dictatorship to democracy, suggesting that Asians, like Americans, prefer a more hands-off government. Their stories show that adopting Western forms doesn't necessarily bring social chaos. "Instead of making Western culture the scapegoat for the disruptions of rapid economic change, it is more important to look at how the traditional strengths of Asian society can provide for a better democracy," Kim Dae Jung, South Korea's new President, has written. "Culture is not necessarily our destiny. Democracy is."

All this leaves the U.S. able to continue playing a positive role in Asia. Its political system has broad appeal across the region, which many politicians hope to emulate without slavishly adopting the details. Many find America's prolonged economic vitality instructive, including the reliance on predictable rules and transparency. By and large, Asians want the

U.S. business presence to grow. Residual U.S. military forces continue as aids to regional stability, and few want them to go away. These strengths allow U.S. officials to be advocates of peaceful compromise and moderation when problems arise.

**T**he U.S., however, needs to retain a sense of its own limitations—and keep focusing on its priorities. For one thing, American policymakers must learn better how to balance realpolitik, trade and investment, and human-rights objectives. These urges have been in conflict throughout American diplomatic history, and there are no simple choices. In China, for example, Washington must continue advocating the rule of law and civic tolerance in a society that has little experience with them. Yet it also must pursue national economic interests and broaden its dialogue with Chinese leaders on security issues. The trick is to keep these goals from clashing, especially when single-issue interest groups make drafting complex policies difficult.

Americans also need to retain a sense of modesty. Singapore's Lee Kuan Yew may go too far when he complains that

Americans try "to foist their system indiscriminately on societies in which it will not work." But he also has a point. There are limits to how precisely the American model can be applied elsewhere, particularly if the attempt means haranguing Asians about their alleged shortcomings. It should be possible to remain persistent in a good cause without being obnoxious.

America's ability to hold a prime place in Asia is a remarkable story. Its armed forces still have important functions, but political example and an expanding economic role nowadays do even more to underpin U.S. authority. Many Asians might not feel comfortable with America as their best foreign friend, but it's the most reliable one on offer. And until more Asian nations get better at trusting, and cooperating with, one another, the U.S. role will remain essential for them and full of opportunity for America.

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*Keatley, a member of The Wall Street Journal's Washington bureau, has been posted twice in Hong Kong, including five years as editor of The Asian Wall Street Journal.*

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# SO, THIS IS THE

By Eamonn Fingleton

**W**ESTERN VISITORS to Japan these days are puzzled. "Where's the recession?" they ask. "Where's the Asian flu?" Good questions. For a country whose economy has been portrayed in the American media as in a funk for most of this decade, an impression recently exacerbated by Asia's financial turmoil,

**Western reporters don't get it, but the Japanese economy isn't anywhere near the danger zone**

Japan stubbornly refuses to conform to central casting's idea of an economic basket case. You can travel the length and breadth of the country without finding any visible evidence of significant economic distress. To be sure, the homeless seem more numerous now in downtown Tokyo than in the high-flying "bubble years" of the late 1980s. But the impression is misleading. Whereas up to the early 1990s, down-and-outs used to be confined by the police to a few ghetto districts well-hidden from foreign eyes, their permitted range has now been "deregulated" to the point where some even live in subway concourses just a few blocks from Emperor Akihito's palace. But they are much less in evidence than in almost any Western city.

Almost everyone else seems economically secure. Families appear to have been

particularly well-shielded—as is obvious when you notice that there are no unkempt or even neglected children to be seen anywhere in Japan.

Go shopping, and again the recession proves elusive: Unlike London's Regent Street and Knightsbridge during Britain's recession of the early 1990s, there are no boarded-up shopfronts in Ginza, Shibuya,

or in any other major Tokyo shopping district. And if there is a shortage of money in Japan, it is not apparent in Tokyo's pricey department stores. Although the extravagant bar hostesses and real estate developers' mistresses who did so much to boost department-store sales in the late 1980s are gone, ordinary middle-class shoppers are much in evidence. As stock-





# Basket CASE?



broker and longtime Tokyo resident Robert Klein points out, you have to fight your way through the crowds at Mitsukoshi, the famous emporium that presides over the Ginza district. Even if foreigners are fazed by Mitsukoshi's prices—with shirts at \$600 and dresses at \$2,000—the Japanese keep buying.

The shoppers themselves are a picture

of prosperity—not just on a weekday in Ginza but in outer suburbia on the weekends. The neatly pressed, immaculately clean designer-brand clothing of the typical Japanese shopper bespeaks of one of the world's richest societies. Recession or no recession, many Japanese salarymen continue to display a level of casual elegance on routine weekend jaunts that an

upscale American might muster only for a yacht-board party.

This is not to suggest, of course, that the salarymen do not have money worries. They do. But their concerns hardly point to a bankrupt economy. Rather, they are the sorts of

**RIDING HIGH: THE JAPANESE SPORT ELEGANT ATTIRE EVEN ON JAUNTS TO THE ARCADE**

PHOTOGRAPH BY GORDON REANSABA





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concerns one might associate with prosperity. Take the current craze for mobile phones. The typical salaryman doesn't want a mobile for himself, of course—carrying one would just make it easier for his bosses to track him in his after-hours drinking dens. Rather, the problem is his teenage daughters, for whom mobiles have become essential accessories. The cuter, more elegantly shaped mobiles favored by the younger generation cost at least \$300 a throw, but the real pain are the monthly bills. Now, fathers are taking advantage of a special plan that caps their daughters' bills at \$160 a month.

**B**UT SUCH NEWFANGLED FRIPPERIES apart, many Japanese consumers are thriving in the 1990s. As Paul Hoff, a Tokyo-based investment banker, points out, countless consumer items have actually fallen in price since the 1980s. Some notable examples: clothes, housing, imported wines and spirits, and utility charges.

So in what way are the Japanese less well off now? As Hoff points out, a key change is that the worst forms of conspicuous consumption of 1980s-era Tokyo are just a memory. Referring to the notorious fashion in the 1980s for restaurants to add little shavings of gold to various dishes, he comments: "The big difference today is that gold leaf is no longer on the menu."

Clearly, there is a great deal of cogni-

**SKI PALACE:  
FEW FAMILIES  
HAVE BEEN  
HURT BY THE  
FINANCIAL  
TROUBLES**

tive dissonance between the reality on the streets of Japan and the country's economic performance as portrayed in the Western media. And the fault lies with the typical correspondent posted to Tokyo. Consciously or not, reporters tend to draw a parallel between Japan's economic fiasco of the 1990s and that of the U.S. in the 1930s. They reason that because the Wall Street crash of 1929 led to the Great Depression, Tokyo's big asset crunch in the early '90s has set Japan up for a similar degree of economic mayhem. But the logic does not follow—for the simple reason that Japan is not the U.S. As has been demonstrated repeatedly in the 1990s, Japan's highly structured economy boasts numerous firewalls that serve to contain any economic conflagration.

And the evidence is now in: These firewalls work. Eight years after the Tokyo stock market began its famous swan dive in January, 1990, virtually all the economic trouble in Japan remains confined to the financial sector. Almost without exception, other parts of the economy have emerged unscathed or have strengthened.

The result is apparent not only in consumer lifestyles but also in Japan's overall economic numbers. These are far stronger than most readers of the American press realize. Take unemployment. If Japan had

easing of recruitment problems.

All this comes as little surprise to those who understand the efficacy of Japan's economic firewalls. The key firewall here is the lifetime employment system, which, despite many Western predictions to the contrary, has generally remained solid throughout the exigencies of the 1990s. Although only a minority of Japanese salarymen are covered by the full guarantees of permanent employment, most employers are under strong regulatory pressure to avoid layoffs. The economic logic is clear: If a worker has a job, he or she has the wherewithal to buy the output of other workers. And if everyone earns an income, the domino effect of factory closures that ravaged Depression-era America will not be played out in Japan.

**A**NOTHER OF JAPAN'S OVERLOOKED strengths is its savings rate. Whereas U.S. consumers cut their savings by more than half from 1929 to 1932, the Japanese have continued to save prodigiously in the 1990s—so much so that they have consistently accounted for 30% to 40% of all new savings each year among the rich industrialized nations.

High savings, in turn, have made possible high investment levels in industry. The result: Japanese corporations have consistently invested two to three times as much per job as their U.S. counterparts. There

been following the U.S. Depression-era script, its jobless rate should long since have soared above 20%. But the rate remains below 3.5%. Why hasn't Japan's success on this front received more attention in the U.S. media? Those on the gloom-and-doom side of the argument profess to believe the official rate understates the true state of unemployment. But all the evidence is on the other side. As any U.S. company that has tried to recruit here lately will confirm, there is no great reserve of hidden unemployment in Japan—and in most sectors, there has been no significant



is another firewall is at work here—the highly structured nature of competition in Japan. Japanese corporations are encouraged to make big investments because the cartelized nature of pricing in the domestic market gives them confidence that they can recover their costs from consumers.

The strength of industrial investment, in turn, has helped deliver one of 1990s-era Japan's other great strengths—exports. As corporations have invested, they have become more competitive, and the often-predicted hollowing out of Japan's export sector has not materialized. Indeed, few countries have boasted such consistently strong export growth as Japan in recent years. Japan's current-account surpluses in the first seven years of the 1990s totaled \$655 billion, vs. \$192 billion in the first seven years of the 1980s. In other words, the surpluses are running about 3.5 times higher in this decade than in the decade before. Remember that the surpluses in the 1980s were considered to be amazingly strong—so much so that they were the fundamental reason Japan came to be viewed as an economic juggernaut.

Of course, on some of the most important economic measures, Japan has not been doing well. Economic growth is probably the key case in point. But even here the story is much stronger than is generally realized. Whereas the media often suggest that Japan has been in constant recession since the Tokyo stock market slumped eight years ago, the reality is quite different. With the exception of 1997, the economy has grown every year in the 1990s. In fact, for the first seven years of the decade, the growth rate has averaged 2.2%. Although that is considerably lower than Japan achieved in the 1980s, it is actually slightly better than the U.S. average growth of 1.9% in the 1990s.

**M**OREOVER, JAPAN'S GROWTH HAS been achieved while the yen, on balance, has risen on foreign-currency markets. Measured from the end of 1989, it was recently up about 15% against the dollar. Thus, stated at market exchange rates, Japan's economy has actually grown significantly compared with the U.S.

The yen's gain means that Japanese wages are about 20% higher than U.S. levels. So the overall economic position of Japan can be summed up in one sentence: Although Japanese corporations pay some of the highest wages, they dominate world markets in almost every product category in which they choose to compete.

One thing in particular stands out: Reports that present Japan as an economic

basket case are extremely short on facts. Virtually all the direst accounts are not statements of fact but predictions of turmoil. The lifetime employment system is going to break down. Low-wage rivals such as South Korea and Taiwan are going to hollow out Japan's industries. Predictions of further economic trauma then follow as surely as night follows day: The current-account surpluses are going to vanish. The jobless rate is going to soar. The savings rate is going to implode. And, of course,

scandals would lead to large-scale reform. There have been constant predictions that the MOF's power would be curtailed. The reality, however, is that similar scandals have been a constant in Japan for decades, and little ever changes. And so it has been proved again in the '90s. In the case of the MOF, Prime Minister Ryutaro Hashimoto has now formally walked away from a plan to break it up. Bureaucrats simply enjoy a much stronger institutional position than elected representatives.



#### REVVING UP: THE LIFETIME EMPLOYMENT SYSTEM KEEPS CONSUMERS SPENDING

the banking system is going to collapse.

The latest version of the disaster story is that the currency crisis that hit the Asian tiger


economies last summer will wreak havoc on Japan. But the facts indicate a much less alarming picture. For instance, Japanese manufacturers that have invested heavily in East Asia in the past three decades generally use their East Asian factories as platforms from which to export to the West. Thus to the extent that East Asian currencies have fallen vis-à-vis the dollar, this merely means that these factories have become more competitive. Of course, Japanese corporations also export to the tiger economies, and sales in such markets have taken a hit. But on balance, corporate Japan has not been seriously affected—as should be apparent from the fact that Japan's current-account surplus last year rose by about 60%.

What of Japan's constant political and administrative scandals? At the center of the storm is the Ministry of Finance, the dominant agency of Japanese bureaucratic power. Over the years, there have been many reports that public outrage at the

In essence, the reason the Western press keeps getting Japan wrong is that reporters allow their opinions free rein. To be sure, most base their predictions on statements attributed to financial analysts and other "experts." It is a fact that Expert A says the economy will soon be hollowed out. It is a fact that Expert B believes the unemployment rate is set to soar. But this is disingenuous because the reporter decides who is to be quoted, and he or she can "prove" anything by making a sufficiently one-sided choice of sources. The truth is that not all experts agree on the outlook—and to the extent that reporters seek out experts on one side, they are indulging in commentary, not reporting. In the end, the point is the one C.P. Scott made more than 70 years ago: Comment is free, but facts are sacred. It is time foreign correspondents stopped prognosticating about future disasters and crises and started taking a hard look at the facts. All they have to do is take a walk down the Ginza.

*Fingleton is the author of *Blindside*, which predicted that Japan will overtake the U.S. economically. He is working on *In Praise of Hard Industries*, to be published by Houghton Mifflin in the spring of 1999.*





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By Marcus W. Brauchli,  
Ian Johnson and Craig Smith

**T**he symbolism was stark: In an ornate salon in Shanghai's old French Quarter, a gathering of central bankers somberly discussed the savaging of Asia's miracle economies. Outside, the pile drivers erecting the newest and biggest Asian miracle never paused.

As the subdued officials traded views under the shivering chandeliers of the Garden Hotel, it seemed the financial crisis afflicting Thailand, Indonesia, South Korea, and perhaps even mighty Japan was reordering Asia's economic hierarchy. Central bankers who studied at the knees of the World Bank and the International Monetary Fund found themselves seeking support from Chinese officials, many of whom spent their formative years mouthing Maoisms and mastering Marx.

It appeared, at the first-ever Asian central bankers' meeting to be held on the mainland, that the Middle Kingdom's time had arrived. By the numbers, China appears a bastion of stability: Its currency is formidable, its foreign reserves bulging and its trade surplus wide. Such is its strength that the world last year looked to China and its new crown jewel, Hong Kong, to join the IMF in providing billions of dollars of aid to the once-roaring economies that ring the mainland.

Yet, in the Year of the Tiger, China's overarching objective is to avoid the devastation suffered by the region's so-called tiger economies. The way it proposes to do that: speed up drastic economic reforms and take its pain now, while the rest of Asia is down. It's a risky strategy, with the real possibility of social instability.

Foreign investment and exports are slowing—trends made worse by its neighbors' financial crises. Add years of delayed reforms and rising unemployment, and the mix is the most volatile China has faced since the late 1980s, when economic malaise helped fuel the Tiananmen protests. "In 1989, there was a spark but no tinder, now there's plenty of tinder but no spark," says a Shanghai worker.

The volatile conditions are the main worry of China's leadership, both President Jiang Zemin and the newly appointed Prime Minister Zhu Rongji. In this case, though, the alarm may be a good thing. For while Beijing insists it will reform China at its own pace, last year's events are driving this putative Communist giant to undertake

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solutions as bold as any in Asia.

Officials confirm, for example, that China will overhaul its weak central bank along the lines of the U.S. Federal Reserve. And Beijing has announced it will spend a massive \$32.6 billion to recapitalize its ailing state banks and slash the number of government and Communist Party officials by up to half. The hoped-for result: China will swerve in time to avoid the head-on collisions the rest of Asia has had with financial markets.

In a way, China is immune to the Asian contagion: Its economy is delinked from the rest of the world by the inconvertibility of the Chinese yuan, making it impossible to speculate on the currency and difficult to take capital out of the country. And China's modest external debt is well-managed; indeed, remarkably, the world's biggest developing country is a net exporter of capital and one of the biggest buyers of U.S. Treasuries. Its banks, messy as they are, still belong to the central government and therefore aren't in any real danger of failing. Foreigners, meanwhile, are effectively barred from the country's stock markets. Even if share prices did crash, the economy wouldn't register much more than a tremor—China's total stock market capitalization amounts to a mere

#### **SIGNS OF STALLING: EVEN IN SHANGHAI, UNEMPLOYMENT IS SPREADING**

20% of its gross domestic product. Instead, what afflicts Beijing is the prospect of increased social unrest as it attempts to transform the core of its system into a more market-oriented model. It is one of the most dramatic economic experiments anywhere in the world. State-owned enterprises, which once formed the backbone of China's Communist system, are being streamlined—and in some cases being allowed to go bankrupt. Projects that might have been kept going because of political priorities are being allowed to feel the sting of market forces. All that imposes a wrenching human burden on workers long accustomed to complete job security. In February, after the annual lunar new year holiday, many of the country's more than 100 million migrant workers returned to find factory hours trimmed and construction sites shuttered. Even booming Shanghai, which gets every break Beijing can give it, is visibly slowing.

Reading between the lines, statistics tell a worrying tale. Consumer spending is weak and fixed-asset investment is slowing. Economic growth is set to decline this year to 8% from last year's 8.8% and sink

20% of its gross domestic product.

further next year. The numbers may seem high, but China has one of the world's most uneven levels of development, meaning anything under the 9% rate it has averaged over the past decade leaves China pockmarked with recession. Says a senior policy adviser to China's cabinet: "This is a tough time to rule China."

Consider Tianjin, China's fourth-largest city and its largest port north of Shanghai. On the east side of town, workers at the prestigious Flying Pigeon bicycle factory haven't been paid in months. Years of delayed reforms have left the factory a rundown mess of creaky equipment and broken windows. Workers grouse that money allocated for renovation was spent on real-estate speculation. Sun Wei, a 42-year-old welder loitering beside a factory bulletin board, says his salary has been cut to 500 yuan (\$60) a month, though he's not even getting that. "We haven't eaten meat in a month and can barely afford elementary school tuition for my daughter," the gaunt Mr. Sun complains.

At least he has the hope of getting paid. China's cities are dotted with scores of state enterprises bankrupt in all but name. Last year, Beijing Internal Combustion Engine factory, one of the capital's largest employers, fired 5,000 workers





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## China

aged 55 or over, leaving them with no benefits at all. "Nowadays factory closings seem to take place daily," says a Tianjin worker hawking fried melon seeds.

**T**hat's hardly an exaggeration. Announcements of mass layoffs are a depressingly regular feature in China's newspapers these days. The Ministry of Metallurgical Industry says the steel industry will cut 700,000 jobs within three years, the non-ferrous metals industry announced 200,000 layoffs in the same period, the railways are set to trim 240,000 workers, while an aviation company is cutting 150,000 jobs. Chinese experts say unemployment is on track to rise from the official figure of 9.6 million to 30 million in two years—just as the jobless ranks are climbing around Asia.

Real unemployment in China may be much higher, masked by the administrative label *xia gang*, which refers to workers sent home but not officially fired. Shanghai has 800,000 such out-of-work workers. In Nanchang, capital of impoverished Jiangxi province, as many as one in three working-age people have been laid off. "People are calm this year, but it's going to



### FRAGILE CALM: STREET PROTESTS ARE A REGULAR OCCURRENCE

get worse. Who knows what next year will bring?" says Fang Honglu, a laid-off factory worker selling pirated compact disks at a market.

Already street protests, unheard of a few years ago, occur regularly across Chi-

na. Last December, 200 pensioners from the Tianjin No. 2 Wool Factory led a sit-down strike, blocking a key artery into town. And violence is increasingly common: Protesters fighting a forced eviction in Shanghai last November clashed with police, landing one man in the hospital, his head split by a brick. Textile workers

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in Sichuan province kidnapped a factory manager last year, parading him through the streets to demand unpaid wages. The leadership hopes rising employment in the more market-oriented non-state sector will help soak up some of the jobless, but so far it hasn't occurred fast enough to halt the dislocations.

As far as the rest of Asia is concerned, the big question is whether China can manage its internal challenges without resorting to a devaluation of its currency, which would obviously spur exports and create more jobs. Beijing so far has been firm in saying that won't happen. So did other Asian countries—before they devalued. But a range of political factors in China make a devaluation unlikely—and make accelerated reform a more likely option. Besides, there's no particular advantage to a devaluation for now. It would take a massive devaluation—50% or so—for China to regain its competitiveness with Southeast Asian currencies that lost half their value or more, and analysts say such a devaluation would be untenable for China's proud leaders. Besides, a yuan devaluation might force a devaluation in

the Hong Kong dollar, which has been linked to the U.S. dollar since 1983. For the Chinese to adjust the link when the British—who ran Hong Kong as a colony until last July 1—had held fast would be unthinkable, most analysts say.

**F**inally, and importantly, China's ability to hold the line on the yuan has lifted the country's economic profile and given it the reputation as Asia's rock of financial stability, an image Beijing clearly loves. Deputy U.S. Treasury Secretary Lawrence Summers made a special pilgrimage to Beijing on a tour through battered Asia in January, and came away telling associates he thought Zhu Rongji was among the smartest leaders he'd ever met.

Zhu has told visitors he's willing to endure a rough slowdown if it's necessary. What's spurring this determination is the need to avoid the problems that have hit other Asian economies. In a recent introduction to a handbook for party leaders on finance, for example, President Jiang Zemin wrote: "In recent years we have seen a series of financial crises in other countries and this should be an object

lesson for us. Failure to do so could lead to financial and economic risk and even endanger the entire economy."

The question remains whether these reforms can push change through a system clogged with self-interest. Beijing has made some tentative stabs: seizing a small city cooperative last October and taking over a delinquent insurer last month. But corruption permeates China—from central bank officials trading stocks on the side to state factory managers accepting bags of dollars in return for questionable business deals. Many officials carry two name cards these days, one for official contacts and one for doing business.

At least top leaders seem to be aware of the problem. Says Tao Liming, director of research at the Bank of China: "These neighbors' experiences have changed the way we view development and opening. It's giving us a whole new attitude toward the need for further reforms."

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*Brauchli is The Wall Street Journal's China bureau chief, while Johnson is its Beijing correspondent, and Smith is based in Shanghai for the paper.*

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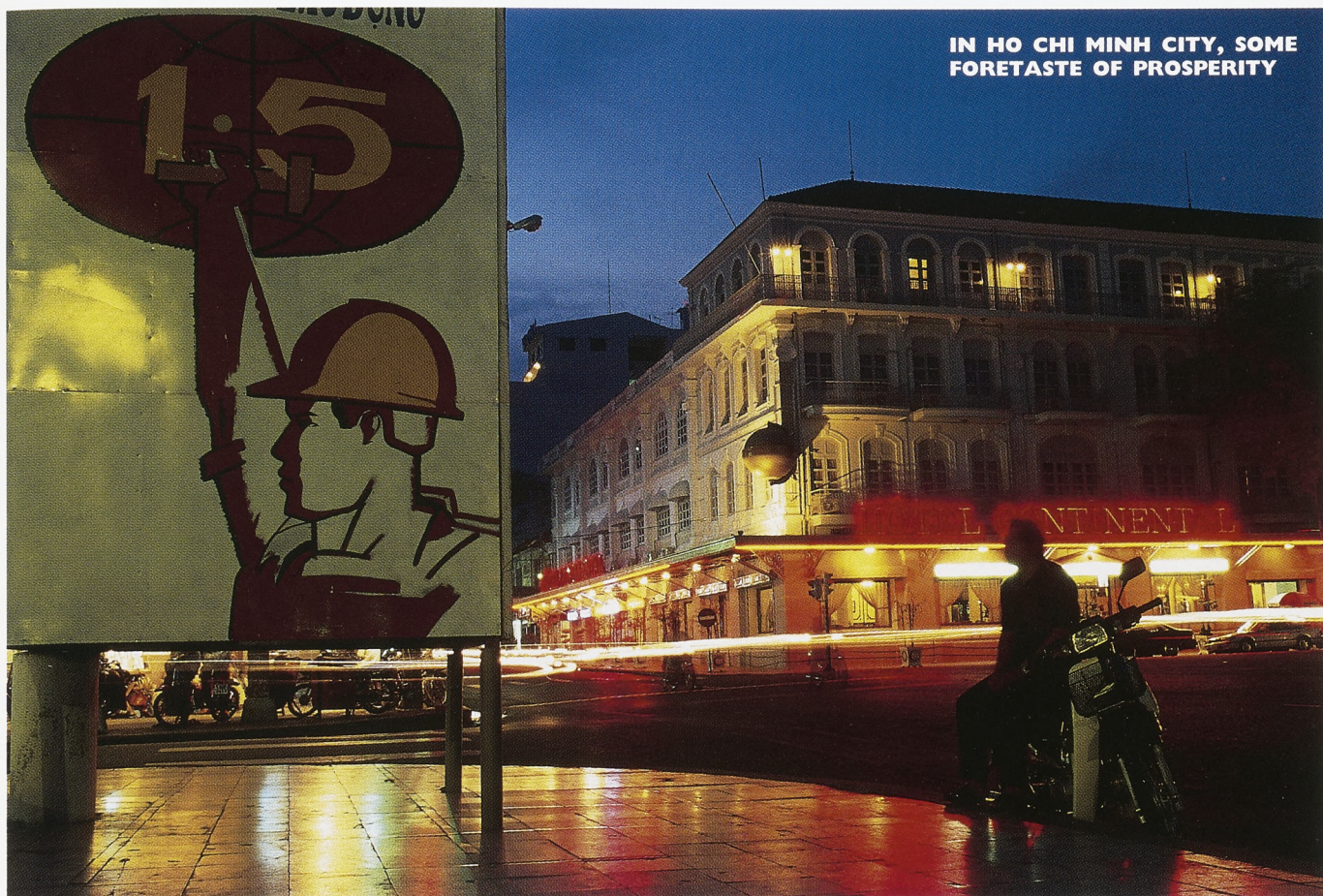
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IN HO CHI MINH CITY, SOME  
FORETASTE OF PROSPERITY



# Reform in a Rut

By David Lamb

**T**his past December, Hanoi's streets bristled with government loudspeakers reliving the U.S. Christmas bombing campaign of 1972. Local papers ran story after story, recalling the downing of B-52 bombers as "a symbol of Vietnam's strength and cleverness." Hanoi even opened a museum dedicated to the battle officials called "the Dien Bien Phu of the air."

All this seemed oddly out of sync in a country where the American war, as it is called in Vietnam, is no longer a topic of conversation or study. Perhaps it was just the aging Communist leadership's way of firing up some revolutionary zeal. Or perhaps Vietnam simply needed something to cheer about.

Vietnam is at a crossroads and doesn't quite know which way to turn. Within the government, progressives who want to

*Official paralysis  
is threatening  
to undo all the  
progress achieved  
in the past decade*

speed up the pace of economic reform are at odds with the old guard who think the country has already moved too quickly into uncharted waters. The inaction is dulling the enthusiasm of foreign investors, who have started scaling back projects. Even more worrisome, high taxes, corruption, and government unresponsiveness to rural needs have sparked social unrest in six farming provinces. Almost every VIP who comes to Hanoi—from U.S. Secretary of State Madeleine Al-

bright to World Bank officials—brings the same message: Get on with free-market reforms. Otherwise, the progress of the past decade will evaporate like the morning mist over the Red River Delta.

With currencies and stock markets tumbling elsewhere in Asia, Hanoi officials brought in Lee Kuan Yew, Singapore's Senior Minister, to assess Vietnam's situation. Singapore has \$5 billion in investment pledges to Vietnam, the largest of any nation. Lee didn't mince words. Vietnam's leaders, he said, were putting their crucial ties with the outside world at risk. "I have spelled out to them the implications for our investors and for all the other investors, and that they are killing themselves," said Lee. "This is bad news for future investments," he told a press conference in Hanoi. If Vietnam persists with its present policies, "the external economy will come to a grinding halt."

Hanoi authorities, however, hardly feel



tempted to heed Lee's warning when they look at the disasters unfolding in nearby countries that have followed a Western model of development. Indeed, Vietnam, in the short term, may be spared some of Asia's pain because its economy is less mature than those of its neighbors: It has no stock market; its currency, the dong, is not convertible; and virtually every transaction—from buying a home to paying a phone bill—is in cash, as few Vietnamese have bank accounts. On top of that, its industries are run by the state and are not under much pressure to turn a profit.

**B**ut the inflow of capital into Vietnam—still one of the world's poorest countries, with a per capita income of about \$300 and a population that is 80% rural—is likely to slow in 1998: Seven of the 10 countries with the largest investments in Vietnam are Asian, each of which is now preoccupied with getting its own house in order.

What Vietnam needs is an economic overhaul. Unprofitable state companies are draining domestic capital, the banking sector has a huge amount of nonperforming debt, and the dong—though modestly devalued early this year—is still so overpriced that Vietnam's exports cannot compete with those of its neighbors. For every foreign businessman moving into Ho Chi Minh City, two are packing up and going home.

Although foreign investors no longer see Vietnam emerging anytime soon as one of Asia's "economic tigers"—and frustration with red tape, corruption, lack of laws, and governmental indecision run high—Vietnam has come quite a distance since the Communists tried to destroy capitalism in 1978. One March morning that year, truckloads of soldiers and volunteers descended on Ho Chi Minh City (formerly Saigon), searching houses and shops to inventory goods to be confiscated. Two weeks later, South Vietnam's currency was abolished. The campaign brought to mind the words of a young military ideologue, Le Kha Phieu, spoken in 1961: "Capitalism will definitely be replaced as it is backward in satisfying the

people's desire for happiness." Phieu, now a 65-year-old army general, has recently assumed the most powerful position in Vietnam, Secretary General of the Communist Party.

The years that were ushered in by the government's confiscation of property were grim. A million refugees fled across the seas; 200,000 South Vietnamese were sent off to reeducation camps, some to remain for a decade or more. A state-run economy that offered no incentives for hard work led to the further impoverishment of what was already a dirt-poor country.

Not until the near-famine of the mid-1980s did the Vietnamese government accept that it had only two choices: perish or prosper through reform. By choosing the latter, Vietnam would have to alter course and nurture the elements that had fueled Southeast Asia's economic engine—foreign investment and trade.



**NIKE FACTORY:  
DISENCHANTED,  
MANY FOREIGN  
COMPANIES  
ARE STARTING  
TO PACK UP**

680% to 3%. Growth picked up, to an average 9% a year, until the slowdown of 1997. The budget deficit was manageable. Private enterprise was—and theoretically, still is—encouraged, and farmers were cut loose from communes and permitted to turn a profit. What Vietnam did, in effect, was free a nation of natural entrepreneurs. When, for instance, bureaucrats banned firecrackers to celebrate the Tet lunar new year in 1995—considering them a safety hazard and a waste of resources—merchants recorded the sound of exploding pyrotechnics and began selling the tapes.

The *doi moi*, or renovation, program that was put into practice in the late 1980s cut the annual inflation rate from

Walking the streets of Hanoi today, one is struck by the industriousness of the Vietnamese. Nothing and no one is idle. The ground-level living rooms of humble homes have been turned into shops for welders, seamstresses, breadmakers, mom-and-pop merchants, and noodle sellers—all of whom do business until 9 or 10 at night. The streets teem with peasants headed for the markets, their produce piled on bicycles, and with Vietnamese in Western attire riding the symbol of the emerging middle class—Honda Dream motor scooters.

From shoeshine boys who hawk photocopied editions of Graham Greene's *The Quiet American*—a prophetic 1955 novel about the perils of foreign involvement in Vietnam—to shopkeepers on Hai Ba Trung Street whose TVs and appliances are stacked ceiling-high and young entrepreneurs with cell phones at the gloriously

renovated Metro-pole Hotel, Hanoi throbs with the expectations that a better, more prosperous life is within reach. One is also struck by the young's thirst for knowledge. Everyone, it seems, is studying English and taking night courses after work. College students finish one degree and immediately start work on another. They show up for appointments on time, think nothing of putting in 14-

hour work/study days, seven days a week. They are much more smitten with money than with ideology.

For Vietnam, there is no turning back. The government has little choice but to proceed, however cautiously, with its publicly announced commitment to loosen the restraints of state control—over the economy, the political apparatus, the information available to the public. And once the state gets out of the way—and the other Asian economies get back on track—the excitement that greeted Vietnam's emergence from isolation a decade ago may finally prove justified.

*Lamb, who covered the Vietnam War for United Press International from 1968 through 1970, is the Southeast Asia Bureau Chief for The Los Angeles Times, based in Hanoi.*





The remarkable thing is, you can't even see it from the narrow stretch of highway that takes you there. Instead, you are struck only by the rich green hue of the surrounding hills for which the town was named.

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By Melinda Liu

**O**kay, it's high time we confessed. The media didn't exactly get it all right last year in Asia, did it? Doomsayers flocked en masse to Hong Kong for the 1997 handover, but midnight on July 1 turned out to be a rain-soaked anticlimax. And then—blame it on those nasty handover hangovers—many of us were caught asleep at the switch when Asian economies began imploding one by one. Now we lament how Hong Kong is no longer as Western nor as exotic it once seemed. Are we getting it wrong again, too slow to grasp that Hong Kong is, and must be, a (gasp) Chinese metropolis after all?

Last year, hordes of journalists descended on Hong Kong, all convinced that 1997's handover was the story of the year. Pundits painted dire scenarios of what would happen after the witching hour on July 1, when some 4,000 Chinese troops soldiers would march over the border to mark the end of British colonial rule. Alarmists evoked memories of the June, 1989, bloodshed near Tiananmen Square, when Chinese troops opened fire on unarmed protesters. People thought up all sorts of reasons why a fiasco was brewing. My favorite was what I called the chaos theory of catastrophe: Come midnight, thousands of Filipina maids would wander through Central after their own handover celebration and collide with rowdy supporters of democracy activist Martin Lee, who would be chaining himself to the Legislative Council building in protest against the handover—in front of 6,000 international journalists.

Whenever you have that many journalists jammed into that small a place, all looking for something bad to happen, they have to scramble to find it. Many struck out in the dark and the rain for the

Chinese border, convinced that bad omens would erupt once the People's Liberation Army (PLA) rumbled into Hong Kong in their armored personnel carriers. Secretary of State Madeleine Albright, who was invited to the ceremonies, noted that the PLA's choice of hardware "was not the best way to start out," given lingering memories of Tiananmen Square. But

when the PLA convoys did arrive, they were hardly the appalling sight that British Governor Chris Patten had predicted. Many Chinese troops were standing in open military trucks, waving in unison—wearing white gloves.

In the end, there was no PLA thuggery that night. The soldiers simply disappeared into their barracks and, for the most part,



# HOW THE MEDIA MISSED



have stayed put ever since. The vignette I enjoyed most was a rather poignant, isolated incident. A lone PLA soldier was standing sentry outside the military base in Central District long after midnight when a gaggle of inebriated Westerners staggered by. The revelers stopped to giggle and joke. One draped a bedraggled Union Jack across the shoulders of the Chinese

soldier, who didn't bat an eye. As others wiggled their fingers behind his head to mimic devils' horns, the sentry remained stoic. Finally, a Hong Kong policeman came on the scene and, sympathizing with the soldier's predicament, gently shooed the drunken celebrants away.

Just as the Western media didn't grasp how Chinese patriotism helped usher in a

peaceful transition, I, too, had my own private stereotypes shattered. Nearly a year before the handover, my father, Tung-Sheng Liu, surprised me with his abrupt declaration that he, too, wanted to celebrate the handover in person. Papa's sudden desire to witness Hong Kong's triumphant "return to the motherland" caught our family off guard. For decades,

*While reporters sniffed the  
air in Hong Kong, intent  
on detecting trouble that  
never materialized, the entire  
region's economy crumbled*

**A NONSTORY:  
CHINESE TANKS  
ROLL INTO  
HONG KONG**

# THE MELTDOWN



Papa had been none too fond of the Communist regime. At 80, he was a Nixonian cold warrior who had lived in the U.S. for half a century. When Papa was young, his mother bound her feet, and some men still wore Manchu-style pigtailed. Chinese Nationalist leader Chiang Kai-shek was his hero. At Beijing's Tsing Hue university, he demonstrated against Japanese aggression and swore allegiance to Chiang. On campus, Papa saw pro-communist activists as his rivals.

But over the years, many of those same campus leftists started materializing in Bei-

cline in freedom of speech, academic independence, and some political freedoms.

The real problems that hit Hong Kong, ironically, had nothing to do with heavy-handed intervention from Beijing. By late 1997, the stock market had taken a hit, property prices had slumped, and tourism was down nearly a third. The culprit was the breathtaking meltdown of Asian economies. And China, far from being the villain, had emerged as a white knight of sorts, the most active player in helping contain the region's financial emergency.

Why didn't we see the economic melt-

Southeast Asian currencies were overvalued. The Administration had called up studies on the rupiah, the ringgit, and so on. With the benefit of hindsight, "a lot of people claim they saw it coming, kind of the way it was with the fall of the Berlin wall," he said, "But no one foresaw the magnitude, the scope of the thing."

Asia's meltdown even confounded the region's perennial doomsayers. Perhaps the most successful purveyor of bad news is Hong Kong's "Dr. Doom," financial consultant Marc Faber. Since the early 1990s, Faber's *Gloom, Boom & Doom Report* has warned of grossly inflated Asian stock markets. He kept the faith throughout, even as some pundits made careers out of extolling Asia's Tigers. After nearly a decade of gloom, Faber finally got it right.

So right that Faber himself now confesses to being stunned at the ferocity of the collapse. "The Asian crisis has left me shell-shocked, disturbed, and concerned," he admitted recently. "I have never read of, or seen, such a total economic breakdown and massive destruction of wealth as has occurred, against all expectations, in Asia in the last six months." Faber estimated that, outside of Hong Kong and Taiwan, Asia's 500 richest families have lost 50% to 70% of their net worth as a result of falling equity prices and currency depreciation. He says that stock prices have dropped so low that even he is toying with the idea of buying Asian equities again.



**SURVIVING  
JUST FINE: THE  
MEDIA GET A  
LOOK AT HONG  
KONG'S '98-99  
BUDGET PLAN**

jing as high-ranking officials. Sometimes, Papa didn't know whether to be proud or wary. On a visit to Beijing in the early '80s, he got reacquainted with one schoolmate who had become a Deputy Foreign Minister. So by 1997, Papa had decided to wholeheartedly applaud China's embrace of Hong Kong. It proved an important truth: In the Chinese zeitgeist, patriotism trumps ideology every time. (Papa is also proud to claim Beijing's new Premier, Zhu Rongji, as a schoolmate.)

During the 1997 handover festivities, Papa stayed with friends at the building where Hong Kong's new chief executive, Tung Chee-Hwa, owns a flat. Papa was pleased that Tung shunned the colonial governor's mansion and decided to live in this more modest, though still prestigious, midlevel apartment complex. In his eyes, Hong Kong was better off being Chinese than being British—even if it means a de-

down coming? Even as Patten was bidding his last morose goodbye to Hong Kong, most of us were missing the biggest Asia story of 1997. Just before the handover ceremony, I had lunch with a White House official in the lobby of a plush Hong Kong hotel. We talked about about the fashionable U.S. obsession with seeing China as America's new adversary. (Remember that headline? It came with its own self-fulfilling prophecy: If you treat Beijing like the enemy, it will become one.) "People are desperately yearning to have an enemy," observed the official. "Japan didn't live up to its preordained role as the enemy of the 21st century." As we discussed Asia policy, the notion that the region's economies would topple, one by one, like dominoes just never came up.

Recently, I talked with that same official at the White House. He said the region's shaky underpinnings had, in fact, been on the Administration's radar screen all along. By July, he said, people realized that Thailand was wobbling and other

In short, nobody knows how this Asian drama will play out. Pundits on all sides of any particular issue who proclaim divine insight should be distrusted. Hong Kong, which started out last year with huge question marks hovering over it, has survived remarkably well so far. For now, its financial fortunes depend largely on whether China sticks to its vow not to devalue its currency. Last year's conventional wisdom was that Chinese influence over Hong Kong will destroy it. This year, that same influence could save the enclave. True, Hong Kong may never again be the paradise for Westerners that it was under the British. Standards of English are declining, and the city seems to have lost some of its cosmopolitan edge. So even if Hong Kong is only the most vibrant and Westernized city in China, hey, that might not be so bad.

Liu, now based in Washington for *Newsweek*, has covered Asia for 25 years.



# Arrest, Torture, and Murder: A World of Abuse for Journalists



**PHILIPPINE TRAGEDY:  
FUNERAL FOR SLAIN  
REPORTER HERNANDEZ**

By Larry Martz, Kevin McDermott, and Norman Schorr, OPC Freedom of Press Committee

**D**anny Hernandez, a columnist for the Philippines' most popular tabloid, *People's Journal Tonight*, specialized in exposing illegal drug and gambling syndicates, especially those involving police corruption. He received numerous death threats, and one of his enemies even sent him several bullets, suggesting he would be a victim.

Hernandez refused to give up his cause. As he left the newspaper's offices just before dawn last June 3, he hailed a taxi to go home. But unidentified assailants had stolen the cab. Once inside, Hernandez struggled but to no avail: He was shot through the back of the head. His body was found hours later in the abandoned taxicab.

Asia holds the dubious distinction of having been the principal killing field for journalists last year. Half of the 26 news

*Asia holds the dubious distinction of having been the principal killing field for journalists last year*

people murdered lost their lives in Asian countries. Aside from the one slaying in the Philippines, seven members of the media were killed in India, two in Cambodia, and one each in Indonesia, Iran, and Pakistan.

According to the Committee to Protect Journalists of New York and the Paris-based Reporters Without Frontiers, the 26 lost their lives either as a result of their

work as journalists or as the result of terrorist attacks. Outside of Asia, four journalists were killed in the line of duty in Colombia, three in Mexico, and one each in Argentina, Brazil, Guatemala, Rwanda, Sierra Leone, and Ukraine.

As reported by the two press freedom defense organizations, "the seven documented killings in India last year reflect that country's trend of increasing political violence and heightened risk for local reporters and photographers." Five of the seven were members of a production crew of E-TV, a private channel, who died in a car bomb explosion in Hyderabad believed to have resulted from political rivalry. The two other victims in India were Kashmiri Muslims, journalists who were believed to have been killed for their work as government broadcasters.

The Overseas Press Club and those



two press organizations called on the 14 nations where the murders took place to conduct "vigorous investigations" and to prosecute those responsible.

According to Freedom House, the death toll in 1997 was about the same as in 1996. Other forms of abuse persist. Two hundred eighty-four journalists were arrested last year, down from 372 in 1996. Meanwhile, 231 were assaulted, beaten, or tortured in 1997, vs. 297 the previous year. Nearly 150 experienced different forms of harassment last year, compared with 214 in 1996. But kidnappings and disappearances rose to 77 cases from 47 in 1996.

American journalists enjoy protection under the First Amendment to the Constitution. But for those elsewhere, the most widely known international standard of free expression is the U.N. Universal Declaration of Human Rights, a document adopted by the General Assembly of the fledgling U.N. on Dec. 10, 1948.

Sadly, however, the declaration's principles remain under constant attack. As the 50th anniversary of the resolution approaches, a group of Asian leaders including Malaysian Prime Minister Mahathir Mohamad and Singapore elder statesman Lee Kuan Yew have called for revising the document to take into account "Asian values" and other regional variations.

Leaders of 19 Latin American countries have passed a resolution establishing that "truthful information" is a fundamental right. That sounds benign until the question is raised: Who determines what is truthful? Perhaps most ominous, former President Jimmy Carter is among a group of former heads of state who want the U.N. to adopt a "Universal Declaration of Human Responsibilities" to accompany the rights document. Press defenders see this as a clear invitation for officials to tell journalists what sort of reporting and opinions are "responsible."

Even without further meddling, the Universal Declaration is being undermined. Of the 48 countries that voted for adoption, 32, or 65%, are consistent violators. Those 32 countries regularly hold a substantial number of journalists in jail. In addition, they censor, arrest, imprison, and prosecute journalists for their work in reporting the news.

In Mexico, journalists covering controversial stories in provincial areas generally are vulnerable to attacks from political and criminal elements about whom they report. Journalists in Ethiopia labor under

a restrictive press law and penal code. As a result, in three recent years there were more journalists jailed in Ethiopia than in any other African country. Syria has virtually eradicated professional journalism inside its borders.

Still, despite its transgressors, the Universal Declaration of Human Rights should be recognized and supported in this 50th anniversary year because it has set a high standard for free expression that many countries have been

reports that the restrictive ideas contained in the European Convention were used in the five years from 1992 to 1996 "nearly 1,100 times to justify prosecution of journalists, closure of independent news media, or other actions to stifle unwanted news reports."

Absolute censorship and physical attacks are well-known weapons used to intimidate or restrict the press. But countries are increasingly employing another threat: new restrictive laws to control the



**HYDERABAD  
CAR BOMBING:  
MOUNTING RISKS  
FOR JOURNALISTS  
IN INDIA**

prompted and encouraged to meet.

Many of the other international, continental, and regional declarations and statements pertaining to freedom of press are ignored—or are designed as Trojan horses to undermine the freedom they pretend to declare. One landmark human-rights document that has been subverted is the European Convention of Human Rights. Its Article 10 starts with the statement that "Everyone has the right to freedom of expression." But the document goes on to declare that "the exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society..." In the end, press freedom can be restricted on grounds including national security, public safety, protection of health or morals, and even protection of reputation—in practice, notably, the reputation of public officials.

The World Press Freedom Committee

press. One survey found that there were more than 30 different kinds of repressive laws that have been enacted in 43 countries.

Several countries charge journalists with violating "national security" or "state interests" for reporting on any subject that the government would like to keep secret. Just one example: A bill in Cameroon was drafted to ban newspapers that are said to attack "the public order." Insult laws are among the most popular of the restrictive legislation, making it a crime to criticize a nation's leaders or government policies. Thirteen countries in South America have insult laws.

Prison sentences and fines are the penalties for reporting illegal actions by a head of state or other official, thus punishing the journalist rather than the corrupt official.

*The OPC Freedom of the Press Committee is active in protesting and appealing often harsh, repressive action taken by governments around the world against journalists and independent media. A summary of the protests and appeals issued in 1997 follows.*



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## Albania

- A state of emergency shut down newspapers and broadcasters, including local and international news sources.

## Algeria

- Arab-language weekly *Al-Moudad* was banned after publication of an article about the late Algerian leader **EMIR ABDELKADER**.
- **AZIZ BOUABDALAH** of *El-Alam El-Siyasi* was abducted by security agents and held in secret detention. No specific charges were brought against him.
- **OMAR BELHOUCHE**, director of French-language daily *El-Watan*, was sentenced to one year in prison for "harming state institutions" after suggesting that the government may have had something to do with assassinations of journalists since 1993.

## Argentina

- Photographer **JOSE LUIS CABEZAS** was murdered on assignment for the weekly magazine *Noticias*.
- Journalists **MAGDALENA RUIZ GUINAZU**, **ARIEL GARBARZ**, **MARIA JOSE LLORENTE**, and **ANTONIO FERNANDEZ LLORENTE** were threatened with death in retaliation for their work.

## Belarus

- The Minsk bureau chief for Russian television station ORT, **PAVEL SHERMET**, was charged with "insulting the president and the nation" and had his accreditation removed after suggesting that "volunteer" participants in a national cleanup day were in fact coerced.

## Burkina Faso

- The president general of Horizon-FM radio, **MOUSTAPHA TAMBIANO**, was attacked by four members of the Democracy & Progress Party following the broadcast of a radio call-in program.

## Cameroon

- **EVARISTA MENOUGA** and **DANIEL ATANGANA** of *Le Nouvel Indépendant* and **PETER WILLIAM MANDIO** of *Le Front Indépendant* were released from detention.

# Trouble Spots:

## Dateline's List of OPC Protests



BUENOS AIRES: REMEMBERING SLAIN PHOTOGRAPHER CABEZAS

## Cambodia

- Journalists with independent or opposition publications fled the country for fear of reprisals after the coup of July 5.

## Canada

- Sri Lankan journalist **D.B.S. JEYARAJ** received death threats in response to his reporting from Toronto on the activities of the large Tamil community in Canada.

## Chad

- **SOSTHÈNE NGARGUONE**, president of the *Union des journalistes tchadiens*, was beaten by members of the Chadian security forces while interviewing them for *N'Djaména Hebdo*, Chad's independent national newspaper.

## Cuba

- **HECTOR PERAZA LINARES**, a journalist for the independent agency Habana Press, was arrested and held without charge at State Security Headquarters on June 23.

## Ethiopia

- **SOLOMON NAMARA** and **TESFAYE DERESSA** of the newspaper *Urji* were arrested by government security officers at the newspaper's offices in Addis Ababa on Oct. 16.

## Gaza

- **DAUOD KUTTAB**, head of Al Quds University television, was arrested following his May 20 telecast of a contentious meeting of the Palestinian Legislative Council. He was subsequently released unconditionally.

## Indonesia

- **MUHAMMAD SAYUTI BOCHARI**, investigative reporter for the weekly *Pos Makassar*, was found dead and presumed beaten to death in the village of Luwu on Sulawesi Island, June 9.
- **NAIMULLAH**, a reporter for the newspaper *Sinar Pagi* in Jakarta, was found dead and his body mutilated in the backseat of his car on July 25 in Pantai Penibungen.

## Iran

- **FARAJ SARKOUHI**, editor of *Adineh* magazine, his assistant

**PARVIN ARDALAN**, and his brother **ISMAIL SARKOUHI** disappeared in January after signing an open letter demanding an end to censorship in Iran.

- The editor of the monthly magazine *Meyar*, **EBRAHIM ZALZADEH**, was found dead in February under suspicious circumstances. The magazine was shut down after publishing an article critical of the government.

## Kenya

- In June, **JACOB OTIENO** and **JACOB WAWERU**, photojournalists for *The East African Standard*, were assaulted by police while covering a rally for constitutional reforms in Nairobi.

## Kyrgyz Republic

- Independent newspaper *Kriminal* was suspended by court order in January after first issue carried criticisms of Kyrgyz authorities.

## Lesotho

- The editor-in-chief of the newspaper *MoAfrika*, **CANDI RAMAINOANE**, was harassed at his home in March, apparently in retaliation for "negative" reporting about the government.

## Republic of Maldives

- **MOHAMED SHAHEEB**, a writer with the newspaper *Haaveru*, was imprisoned in response to a short story he authored



## Dateline Protests

describing a young woman's confinement in a solitary jail cell.

### Mali

- Fifteen journalists were detained and assaulted while attending an August press conference at the headquarters of an opposition political group.

### Mexico

- **BENJAMIN FLORES GONZALES**, editor and owner of *La Prensa* in Sonora, was assassinated at his offices in July, a murder evidently connected to his coverage of the drug trade.
- Five journalists covering the police in Mexico—one from *El Universal*, two from *Reforma*, and two from TV Asteca—were attacked.

### Niger

- The National Assembly passed a press bill requiring the licensing of journalists, criminalizing insults to the President, and placing restrictions on who may work as journalist.
- Equipment valued at \$80,000 was destroyed at the office of Radio Anfani, a Voice of America affiliate, by five unidentified armed men on Mar. 1.

### Nigeria

- In March, **LADI OLORUNYOMI**, reporter for the *African Concord* and *Herald* newspapers and the wife of exiled journalist **DAPO OLORUNYOMI**, was arrested at her home in Lagos. She was held without charge by agents of the directorate of military intelligence.
- In June, **CHIEF OMI EGBUNINE**, publisher of *The Horn* in Qwerri, was arrested at his office and beaten into a coma, reportedly in retaliation for an article detailing corrupt practices by government officials.
- **BEN CHARLES OBI**, editor of the former *Classique* magazine, is imprisoned in Agodi Prison in Ibadan. **GEORGE MBAH**, former assistant editor of *Tell* magazine, is imprisoned in Biu Prison, Bomo State.
- **MOHAMMED ADAMU**, bureau chief in Abuja for *African Concord*, and later **SOJI OMOTUNDE**, the *Concord's* editor, were arrested and held incommunicado after publishing articles critical of Nigeria's chief security officer.

### Pakistan

- **HUMAYUN FAR**, bureau chief of the Urdu-language daily *Mashriq* of Peshwar,

was abducted and subsequently imprisoned on a charge of passing classified documents to unspecified neighboring countries.

### Peru

- **MIGUEL REAL**, a Peruvian working for the British television network Worldwide Television News, was forced to leave the country in April after interviewing terrorist leader Nestor Cerpa Cartolini.
- Three crew members of the television program *En Persona* were attacked and threatened with death while conducting an interview on June 25. On July 1, three armed-men attacked four reporters for the daily newspaper *Ojo*.
- **BARUCH IVCHER**, majority share owner in Frecuencia Latina Canal2, fled to the U. S. upon learning of an order for his detention and after receiving repeated threats on his life.

### Russia

- **MAURO GALLIGANI**, an Italian photo-journalist working for the Italian weeklies *Epoca* and *Panorama*, was abducted on Feb. 23 by masked men in Grozny, Chechnya. Four employees of ITAR-TASS and Radio Rossiya were also abducted that month in



AP/Joe Rosenthal

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Grozny. In May, an NTV crew was abducted while en route to neighboring Ingushetia, a crew that included popular TV correspondent **YELENA MASYUK**.

- **IRINA CHERNOVA**, correspondent for *Komsomolskya Pravda* in Volgograd, was attacked by two men on Apr. 17, breaking the bones in her face. She had been investigating corruption in a local oil business, which may have implicated members of the Interior Ministry.

#### Rwanda

- **APPOLOS HAKIZIMANA**, a reporter for *Intego* and the newspaper *Umuravumbu*, was shot dead in May. Hakizimana had written articles critical of the government and its human-rights record.

#### Sierra Leone

- Editors **GIBRIL KOROMA** and **CHARLES DAVIS** of *Expo Times*, together with publisher **IBRAHIM SEAGA SHAW**, were arrested at their offices on Mar. 19 and charged with "undermining Sierra Leone's friendly relationship with Nigeria."

#### Sri Lanka

- Columnist **IQBAL ATHAS** of the *Sunday Times* in Colombo was harassed at his home

by unidentified men who told neighbors he was under investigation for "terrorist activity."

#### Thailand

- The News Analysis Center was opened by the Interior Dept. in June to monitor the accuracy of reporting about the government.

#### Togo

- The independent weekly *Forum Hebdo* was banned for six months in February. Publisher **GABRIEL AGAH** was given a one-year prison term and a \$1,900 fine.

#### Tonga

- **FILOKALAFI 'AKAU' OLA** was arrested and charged with sedition for publishing a letter questioning government policy in the independent weekly *Times of Tonga*.

#### Turkey

- **OCAK ISIK YURTCU** was imprisoned for publishing articles about the government's ongoing conflict with Kurdish insurgents. Yurtcu is one of 78 journalists imprisoned in Turkey, more than in any other country.

#### Uganda

- **MUASAZI-NAMITI** and one of his sources, **HASSAN KATO**, were arrested in

January in connection with articles published in *The Crusader* and *Secrets* magazine.

#### Ukraine

- **TARAS MOSKALIUK**, host of the *Ranok Vechora* television program, was abducted at gunpoint in June by kidnappers who demanded that Ukraine TV cease broadcasts in the Russian language and switch to Ukraine. He was later released.

- **BORIS DERYANKO**, an Odessa newspaper editor, was killed in what Ruslan Bodela, governor of the Odessa Region, termed "an act of political terror."

#### Zambia

- **MASAUTSO PHIRI**, special projects editor of *The Post* of Lusaka, was sentenced to three months in jail for publishing a December, 1996, article alleging that \$5 million was paid to the seven judges of the Supreme Court to rule against opposition candidates who challenged the presidential candidacy of Frederick Chiluba.

- In May, **FRED M'MEMBE**, editor-in-chief of *The Post*, was facing more than 50 court charges including treason, sedition, and criminal defamation of persons, including President Frederick Chiluba.

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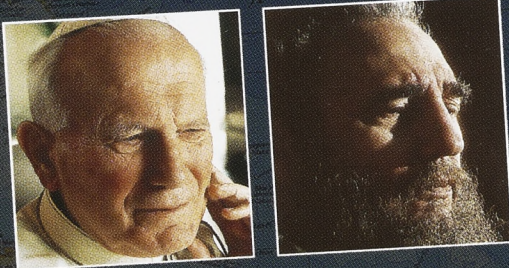
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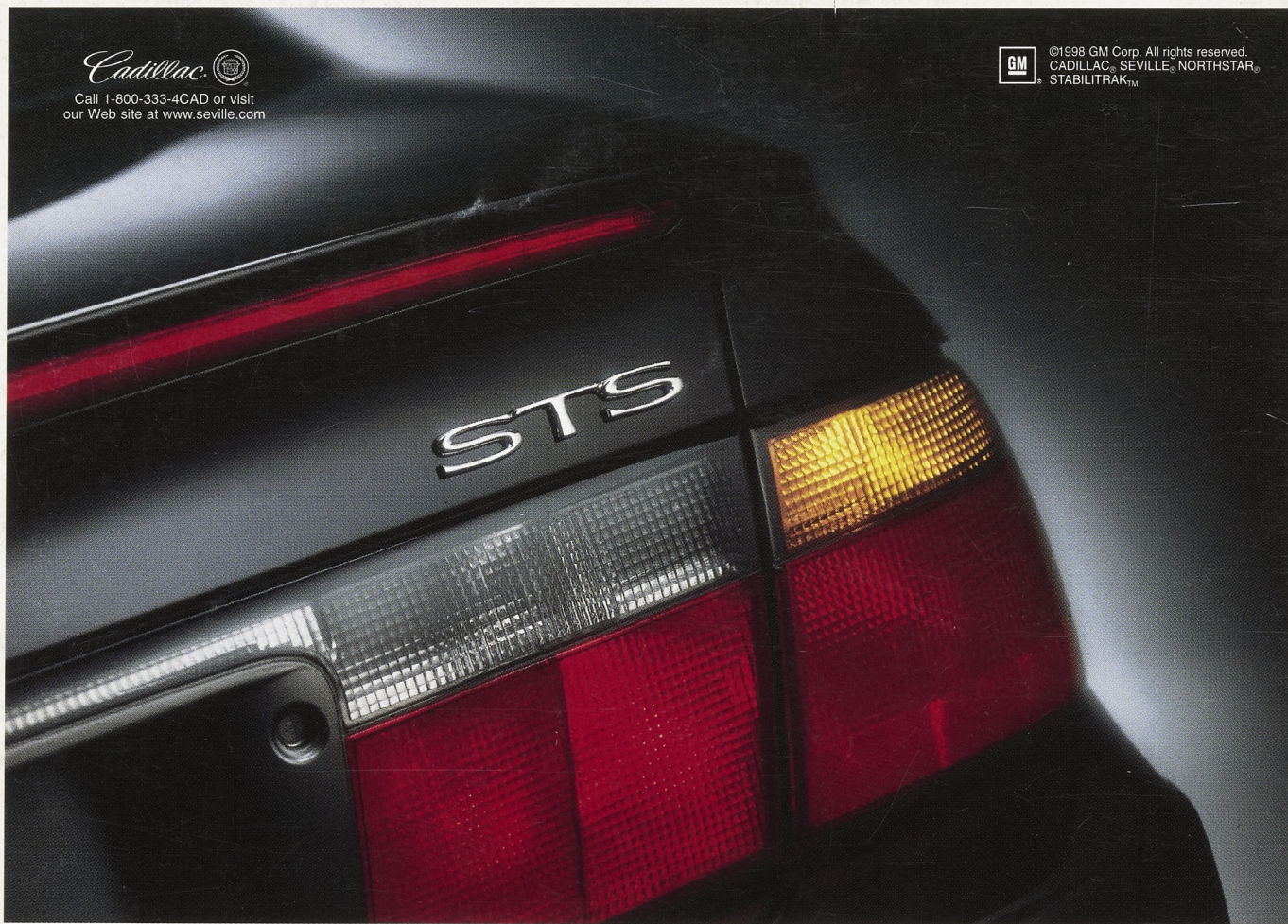




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